

Who is getting richer, who is getting poorer

Quebec 1976–2006

Eve-Lyne Couturier | Bertrand Schepper



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List of Acronyms

CCPA Canadian Centre for Policy Alternatives

CFS Consumer Finance Survey

GDP Gross domestic product

IRIS *Institut de recherche et d'informations
socio-économiques*

SLID Survey of Labour and Income Dynamics

Summary

For decades, Quebecers have laboured under the promise that a prosperous economy and good hard work would deliver greater benefits for all. This groundbreaking study reveals the promise falls short of reality for the majority of Quebec families raising children under 18.

Quebeckers worked more and the province's economy grew by 71% between 1976 and 2006 but not all Quebec families enjoyed the benefits. The lion's share of income gains went to the richest 10%, while the bottom 70% ended up with a smaller share of the economic pie.

FIGURE I Quebec's Earnings Gap

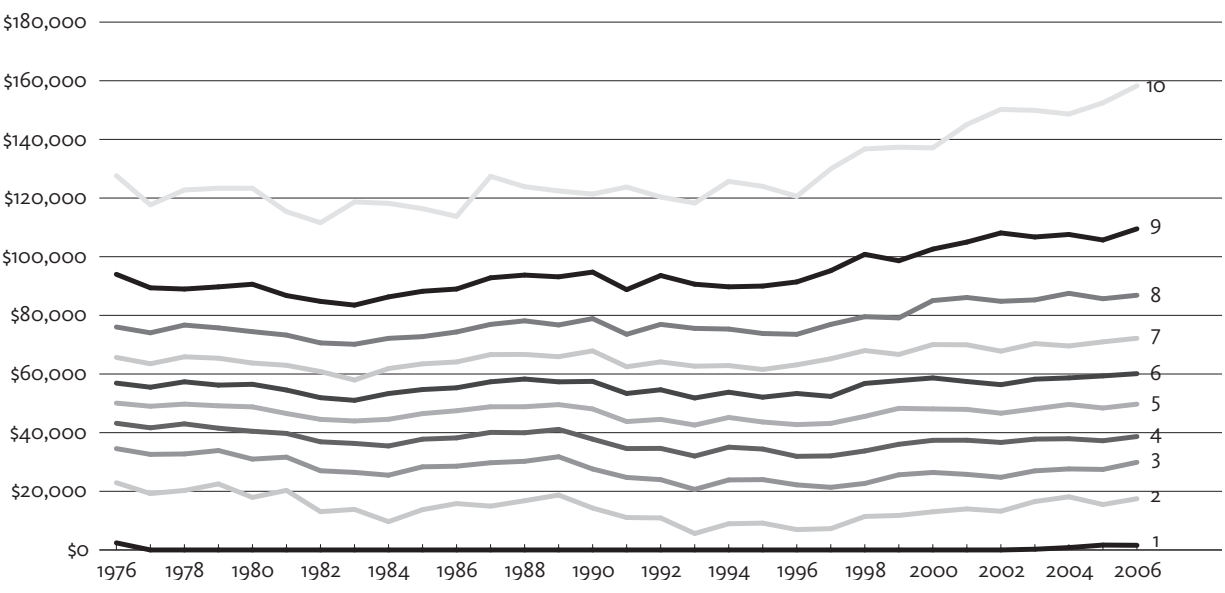
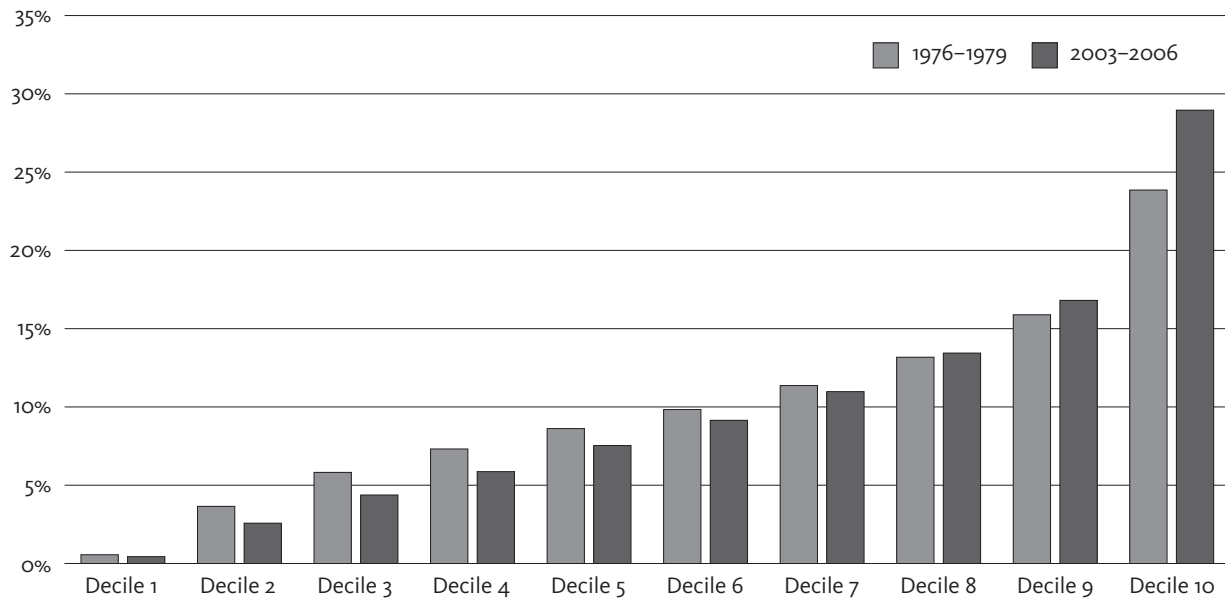


FIGURE II Share of Earnings By Decile



The richest half of Quebec’s families earn more today than a generation ago, the bottom half earn less. The further up the income ladder you go, the more striking the gains. As a result, the gap in earnings between the rich and the rest of us is at a 30-year high in Quebec — tracking lower than the national average but showing a worrisome trend has been unfolding, even before the recession began.

Quebec’s income gap widened dramatically in the 1980s and 1990s recessions as people lost their jobs but it continued to widen at a surprisingly rapid rate in the last 10 years, even as people started working again. It widened despite the fact that Quebec families raising children under 18 worked more, not less. In fact, this study shatters the myth that working more is enough to bridge the gap.

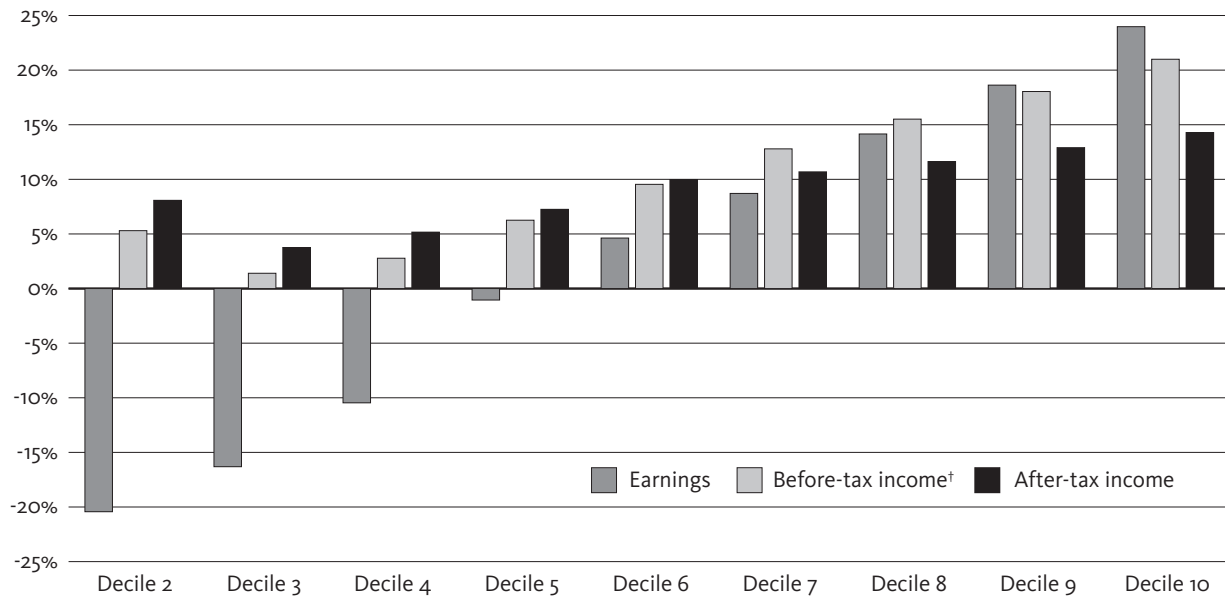
Quebec families are working, on average, 321 hours more a year since 1996, which is the equivalent of an extra eight weeks of full-time work. Most of the increased work time has been accrued by families in the bottom half of the in-

come spectrum. And, still, the majority of families are having trouble getting ahead.

Families in the middle and lower end of the income spectrum worked harder just to stay in place. High unemployment left the majority of families in the poorest 10% with no earned income from the late-1970s to 2003. The rest of the families in the bottom half of the income spectrum saw their earnings drop by 1% to 20% below the earnings of families in the bottom half a generation earlier.

In contrast, the top 50% of families experienced higher earnings in comparison to their predecessors — by only 5% for decile 6 but a substantial 24% increase for the richest decile. The richest 10% saw the biggest increase, by far, of any other group of families raising children over the past generation. In contrast, the richest 10% of families raising children were not putting more time in the labour market. Households in the top decile were working fewer weeks per year than the richest 10% of households a generation ago, and annual hours worked were roughly the same in 2006 as in 1996.

FIGURE III Comparison of Median Earnings/Income[†]/After-Tax Income Between 1976–1979 and 2003–2006



† This category, before-tax income, that we use just for this table represents money from earnings and government transfers, before taxes are paid. For more information, see the annexed glossary.

There is also growing concentration of earnings at the top of Quebec’s income spectrum. Looking at two historical nodal points — 1976–1979 and 2003–2006 — this study reveals the share of total earnings flowing to the richest 30% of families rose from 53% to 59%, but the share claimed by the poorest 30% of families dropped from 10% to 7%. The majority of Quebec families — the bottom 70% — had to make do with a smaller share of the income pie.

The recent recession threatens to make things worse. As this study shows, income inequality tends to get worse during times of recession, when families at the bottom of the income spectrum have trouble getting a foothold into the labour market. This analysis shows the heavy toll recessions take on both middle- and low-income families.

In fact, the recession of the early-1990s reduced incomes of the majority of Quebec families and it took years for incomes to start rising across all deciles. The richest 10% bounced back

first, enjoying a rise in their earnings as early as 1994; but for most Quebec families it took until 1998 before their earnings started to rise too.

As the economy gained steam, working more was not enough to close the gap. More work did lead to more income for those in the bottom half of the distribution, but the increase in work time was not commensurate to the increase in incomes. Because incomes at the top grew faster than for any other group, the gap still widened.

What has offset the growing gap has not been individual effort, but government policies.

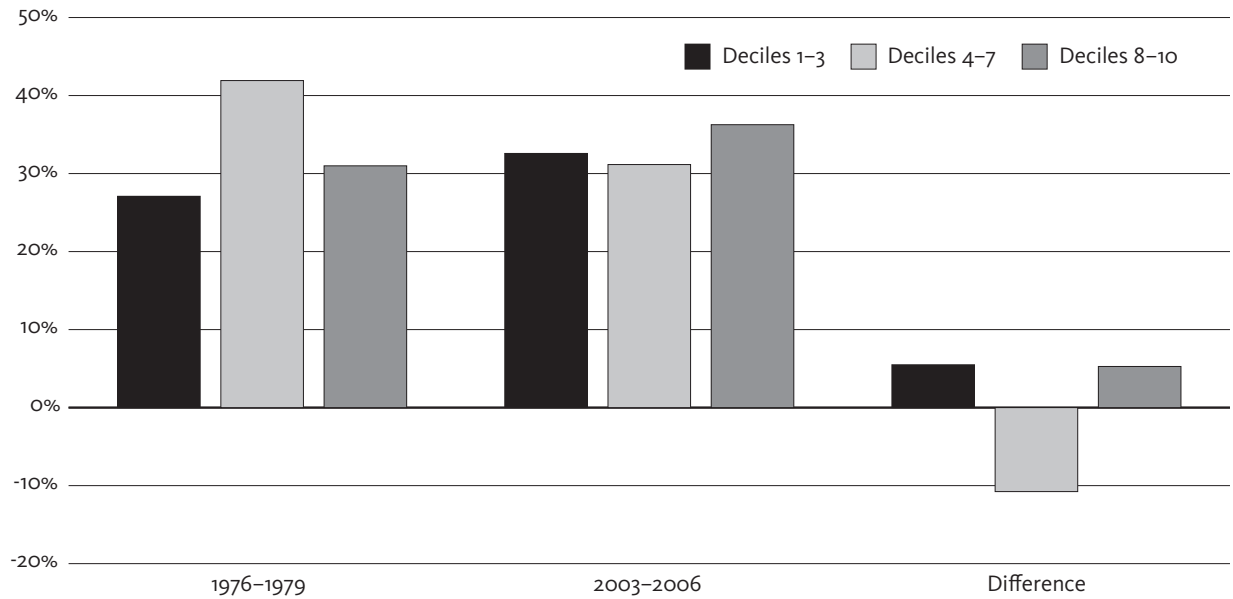
The gap between the rich and the rest of us is considerably smaller when measured in terms of after-tax incomes, highlighting the role of transfers and taxes and the ability of the government to ensure that the citizens of Quebec experience greater equality than the market alone would allow. At least 70% of Quebec families were better off, thanks to the tax and transfer system.

Similarly, government policies have offset, but not eliminated, the growing concentration

**TABLE I Percentage Difference of Median After-Tax Income,
Per Decile Comparison of the Periods 1976–1979 and 2003–2006**

Decile	Median 1976–1979	Median 2003–2006	Difference	% difference between the periods
1	\$16,349	\$19,617	\$3,268	20.0%
2	\$28,483	\$30,7834	\$2,301	8.1%
3	\$36,528	\$37,902	\$1,374	3.8%
4	\$42,086	\$44,260	\$2,174	5.2%
5	\$47,377	\$50,814	\$3,437	7.3%
6	\$52,700	\$57,961	\$5,261	10.0%
7	\$59,549	\$65,913	\$6,3634	10.7%
8	\$68,271	\$76,211	\$7,940	11.6%
9	\$79,429	\$89,677	\$10,248	12.9%
10	\$104,089	\$118,961	\$14,872	14.3%

**FIGURE IV Difference in Population Distribution Based on the 1980
Earnings Deciles Between 1976–1979 and 2003–2006**

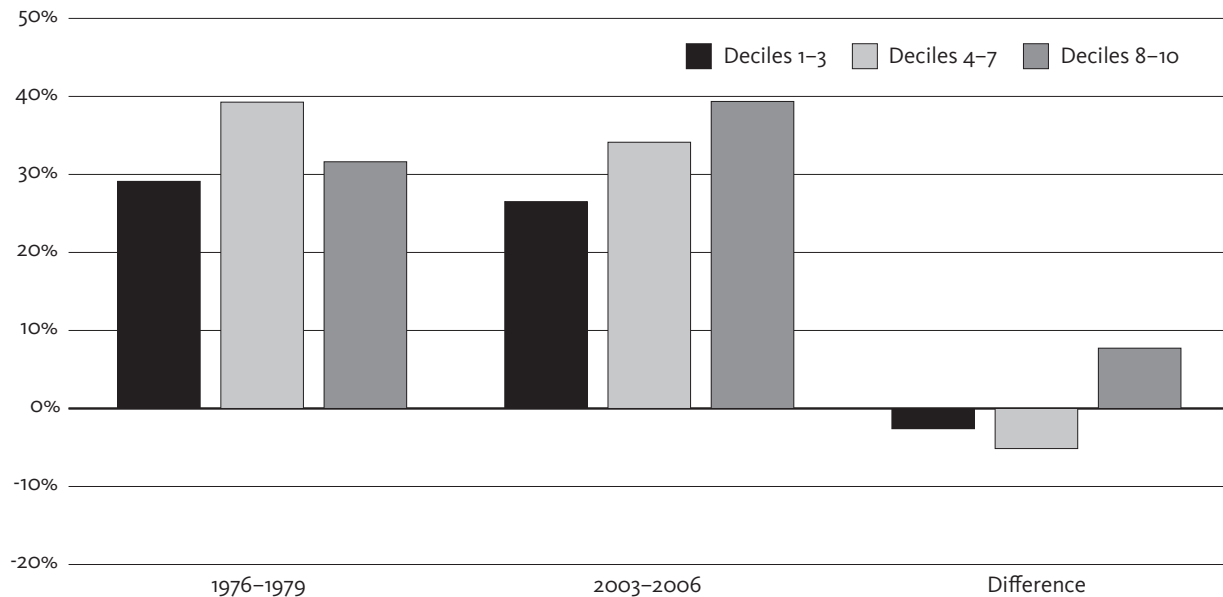


of income in the hands of the richest families. Over the past three decades, the Quebec government’s intervention systematically reduced income inequality within its borders, and did so more effectively than Canada as a whole. Greater equality did not come at the expense of more prosperity: families in all income groups saw

some improvement in after-tax incomes compared to 30 years ago in Québec.

Though income inequality is getting worse in Quebec, the situation remains more equal than in the rest of Canada. Current policies, which threaten to dismantle redistributions mechanisms, could mar that track record.

FIGURE V Differences in Population Distribution Based on the 1980 After-Tax Income Deciles Between 1976–1979 and 2003–2006



As well as becoming more unequal, Quebec families are becoming increasingly polarized.

A strong and resilient middle class is the glue that binds society. Technically, there is always a middle class. The question is: does economic prosperity grow the middle class?

In 1980 — before the 1981–1982 recession hit — the middle 40% of families raising children in Québec earned between \$35,600 and \$68,800; 30% of the population earned less and 30% earned more. In after-tax terms, the middle 40% had incomes between \$38,000 and \$67,600. (All figures are expressed in 2006 dollars). By holding the definition of the middle constant, we can see how many families fell into middle, upper or lower income groups over time.

Tracking earnings, the number of families in the middle class has fallen steadily over the past three decades, going from about 42% of the population in the late-1970s to 28% of the population in the recession of the 1990s. Though it has rebounded since, by 2006 there were fewer families in the middle than in 1980 (31% rather

than 40%). By 2006 Québec’s middle class — defined in the terms of a generation ago — was the smallest income group. It was surpassed by the lowest income group in 2003–2006, accounting for 33% of Québec’s families raising children (instead of 30% in 1980).

Public policy has offset the hollowing out of the middle but not avoided it. After taking into account taxes and transfers, the middle had shrunk to include only 34% of all Québec families, down from 40% in 1980. Much of this shift has occurred in the past 10 years. Between 1976 and 1996, the middle class remained relatively stable in after-tax income terms, representing about 40% of the population throughout a 20-year period that included two major recessions. The last decade, however, saw a marked erosion of the size of the middle class in Québec. Where did they go?

There were slightly fewer families in the bottom 30% of the income spectrum — down from 29% in 1976–1979 to 27% in 2003–2006. Meanwhile, the number of families in the upper in-

come category grew, from 32% in 1976–1979 to 39% in 2003–2006.

Over the course of a generation, the economic makeup of Quebec families has changed dramatically in terms of income. The podium diagram, which showed a dominant middle class in 1976,

has changed to a staircase diagram, in which the upper class is dominant.

Quebec's middle — the conveyor of ideas, social norms and cultural expectations — is getting squeezed, and that's not good for any of us.

Introduction

In March 2007, the Canadian Centre for Policy Alternatives (CCPA)¹ showed that income inequality between the rich and the rest of us were at their highest level in 30 years, all across Canada. That finding was confirmed in May 2008² by a Statistics Canada study of income inequality and reinforced in June 2008 by a Statistics Canada study³ on changes in family wealth⁴.

In this research report, we look at Quebec's situation with respect to the change in families by deciles* divided into lower, middle and upper income groups⁵, between 1976 and 2006. We will attempt to analyze the change in and determinants of the gap between Quebec's rich and poor from a long-term perspective.

Since the 1980s, the dominant neo-liberal discourse has depicted economic growth as a guarantee of prosperity for all citizens. According to that logic, the more wealth a society accumulates, the more that wealth is redistributed, through the market, for the greater benefit of society as a whole⁶. Again according to the dominant discourse of economists and other experts of the economic right, income inequalities reflect the additional effort put into skill development and work by those who are the most well-off. Time

worked should then be an indicator of access to wealth. In other words, you supposedly just have to work harder to earn more. This logic suggests poor people are poor essentially through a lack of will. The next few pages demonstrate, by means of the Quebec experience, the false nature of this discourse.

Interpreting the evolution of the gap between the rich and the rest of us requires a rigorous analysis of the economic landscape. We will first address the issue of methodology. The rest of the study is divided into eight sections. We will describe Quebec's socio-economic context over the past 30 years and then construct an economic profile of families, assess the distribution of incomes (both earned and after-tax), identify the change in this distribution and connect it with changes in the world of work. Lastly, we will identify the government's role in this dynamic and attempt to better understand the changing economic parameters specific to Quebec. The findings indicate that the market itself contributes to an unequal sharing of income and wealth, helping to widen, rather than narrow, the gap between the rich and the rest of us in Quebec.

Methodology

The data used in this study comes mainly from two Statistics Canada surveys⁷. The *Consumer Finance Survey* (CFS) covers the years 1976 to 1996, and the *Survey of Labour Income Dynamics* (SLID) completes our data up to 2006. Although their collection methods differ slightly, the information obtained through these studies intersects and enables comparisons over long periods⁸.

This study of trends in income distribution focuses on the economic profile of families with children. Historically, these types of households experience the fewest fluctuations in income over time, making them the most reliable to study. Moreover, families raising children are the basic building block of society and provide a conservative measurement for assessing income gaps in Quebec. We compare two periods that are similar in terms of sustained economic growth, namely 1976–1979 and 2003–2006, which will shed some light on the changing gap between the rich and the rest of us over the past 30 years in Quebec.

This study does not examine the mobility of families between deciles, since individual families were not tracked independently over time. Rather, the data helps identify changes in earnings or after-tax income for each decile. In other

words, the poorest 10% of families are not necessarily the same ones from year to year: it may be that some families “escape” from poverty, while others fall into it. This study helps us identify the differences in the amount and share of income attributed to a decile and to see if the poorest Quebecers in a given period of time are more or less well-off than those in another period of time.

With the population divided into income deciles, we reassemble them into three specific groups: lower deciles, middle deciles and upper deciles⁹. The lower deciles include deciles 1 to 3: the 30% of the population with the least income. The middle deciles, 4 to 7, make up the middle 40% of the population. The remaining deciles (8 to 10) make up the families with the most income in Quebec. It is important to note that our division is based solely on income available to the families, not on their actual needs or their property or financial assets. In fact, our figures make no distinction as to the number of individuals in each family or what they own. Unless otherwise indicated, the data refer to households with at least one adult and one child aged 18 or younger.

For a more accurate picture of the situation, most of the analysis was done using medi-

an (rather than average) after-tax earnings and income. By focussing on the mid-point of each decile or group of deciles, this enables us to reduce the impact of extreme cases, which tend to skew the findings and make annual fluctuations more volatile. For example, with the first decile, some families show nil or negative earnings due to unemployment or expenses being higher than income (for self-employed workers, for example), whereas others show earnings of up to \$12,247 in 2006. The mean reflects these extremes, while

the median gives the mid-point of the decile, which shows less variance. That gives us a more accurate picture, knowing that 50% of the target population earns more and 50% earns less than the amount obtained.

Unless otherwise indicated, all amounts are expressed in constant 2006 dollars. This makes it possible to effectively compare the amounts available for consumption, by controlling for fluctuations resulting from inflation.

Quebec's Economic Context¹⁰

To paint an accurate picture of the income gap between Quebec's rich and poor families, it is crucial to first look at the province's economic context. GDP¹¹ is the most widely used indicator for assessing a nation's economic activity. This method of quantifying wealth creation helps us determine whether there is a trend towards an overall improvement in the wealth of Quebec society.

Like GDP, the unemployment rate is a summary but important indicator of the status of the working world. According to the dominant discourse, the lower the unemployment rate, the more wealth society should create and therefore become wealthier overall. A period of prosperity is characterized by a low unemployment rate and increasing GDP.

This section assesses GDP and the unemployment rate trends in Quebec to obtain an overall picture of Quebec's economy according to what are often seen as indicators of a society's economic health.

3.1 Gross domestic product (GDP)*

Between 1981 and 2007, Quebec's economy experienced only two declines in GDP, during the recessions of 1981–1982 and 1990–1992 (see Figure 3.1). Overall however, Quebec's GDP, in 2002 constant dollars, rose from \$155 billion in 1981 to \$265 billion in 2007, a 71.3% increase over 26 years. Thus, Quebec produced over \$110 billion more per year in goods and services than in 1981.

Per capita GDP is a simple measurement that helps determine whether the GDP increase is real or solely due to a population increase. If a nation's GDP increases only because of a population increase, we should see a drop in per capita GDP. In Quebec's case, the increase in per capita GDP between 1981 and 2007 rose from \$23,704 to \$34,527 (in 2002 constant dollars). Figure 3.2 shows that change.

Calculated in 2002 dollars, per capita GDP rose from \$23,704 in 1981 to \$34,527 in 2007, an increase of 45.7%. This significant increase in per capita GDP shows that the Quebec economy is doing better than in 1976. This study will try to determine whether that improvement applies to the entire population.

FIGURE 3.1 Change in Quebec GDP in Millions of (2002 Chained) Dollars¹²

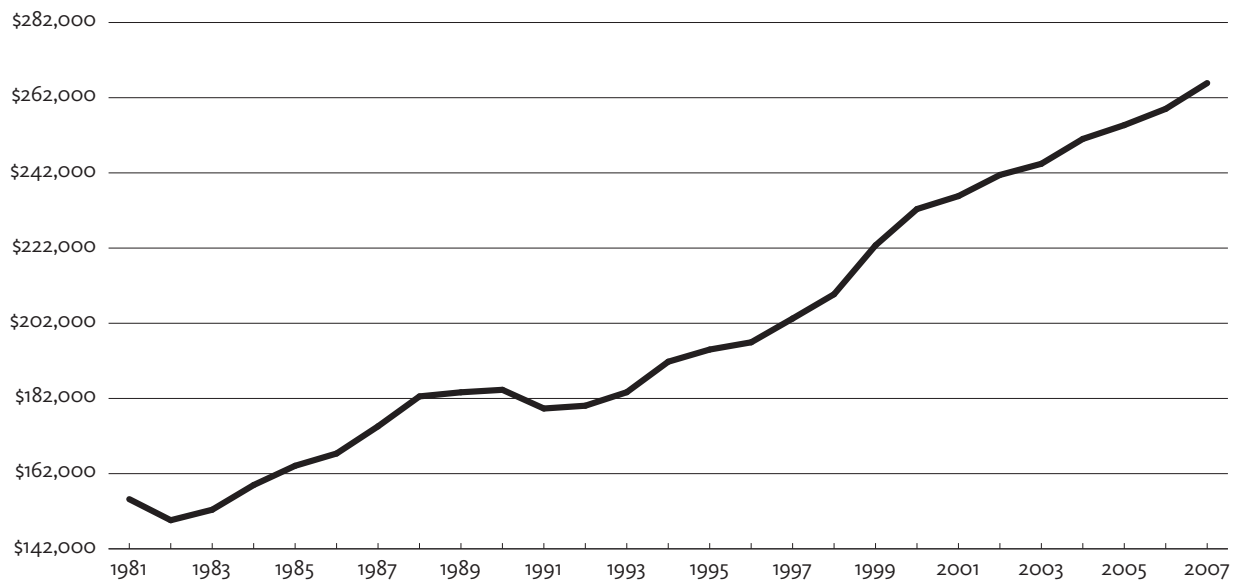
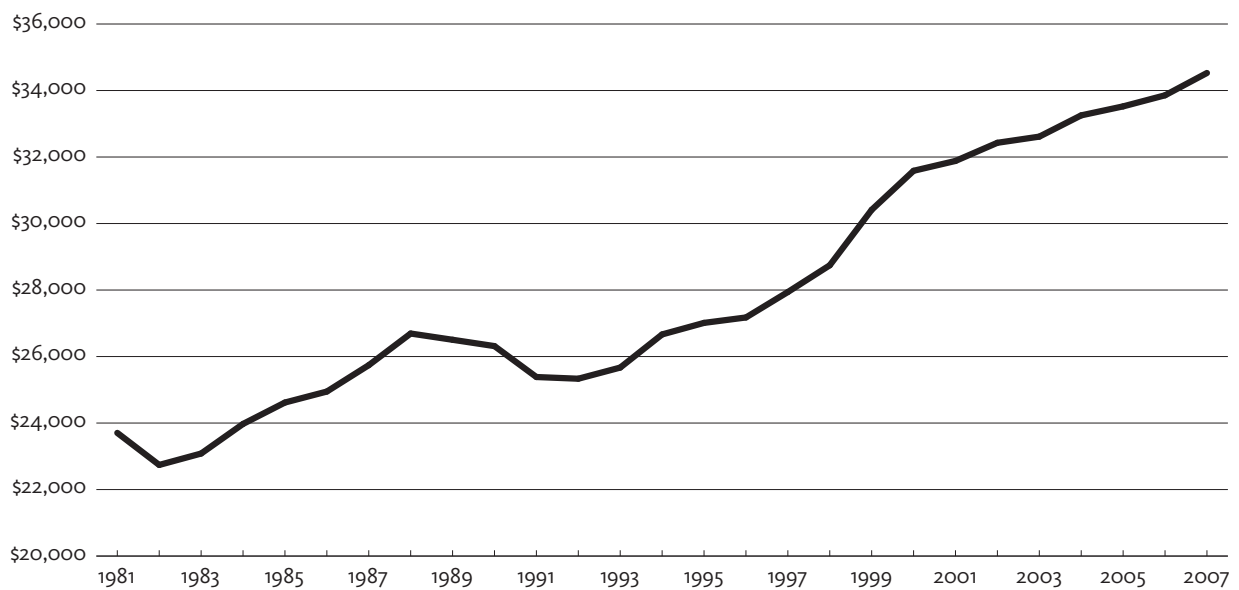


FIGURE 3.2 Per Capita GDP in Quebec in 2002 Chained Dollars¹³

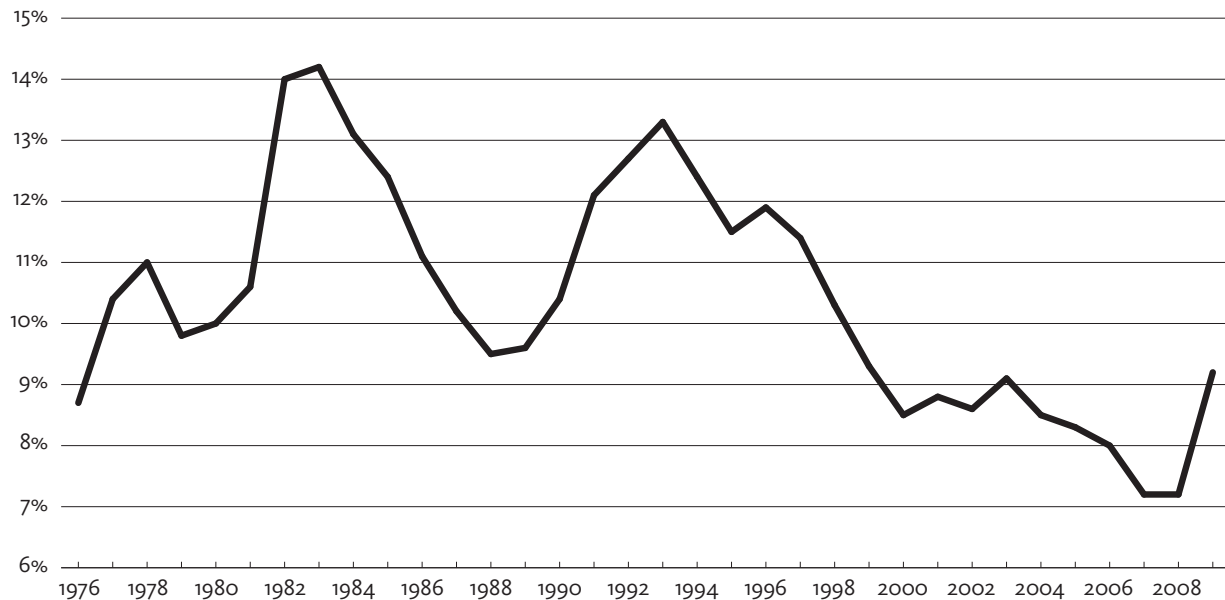


3.2 Unemployment rate

The unemployment rate in Quebec appears to have been following a cyclical trend since 1976. Two major periods stand out, namely 1976 to

1988 and 1989 to 2000. In both cases, major increases spanning several years were followed by pronounced drops. The province's highest unemployment rate occurred in 1983, reaching 14.2%. Ten years later, another peak was reached

FIGURE 3.3 Unemployment Rate in Quebec From 1976 to 2008¹⁴



at 13.3%. The unemployment rate then dropped until 2000 and stayed between 8.3% and 9%, the lowest rates since 1976. In 2007 and 2008, it levelled off at 7.2%, which is nearly half the highest rate reached earlier. Given that 4% is usually seen as the “full employment” rate, it is clear that we are in 2008 far from full employment.

GDP and the unemployment rate trends identify key economic cycles in Quebec. When the former increases significantly, the latter tends to drop¹⁵. An increase in production would therefore promote job creation. It follows, then, that periods of economic growth should coincide with a drop in the unemployment rate and by extension, a reduction in income inequalities among families.

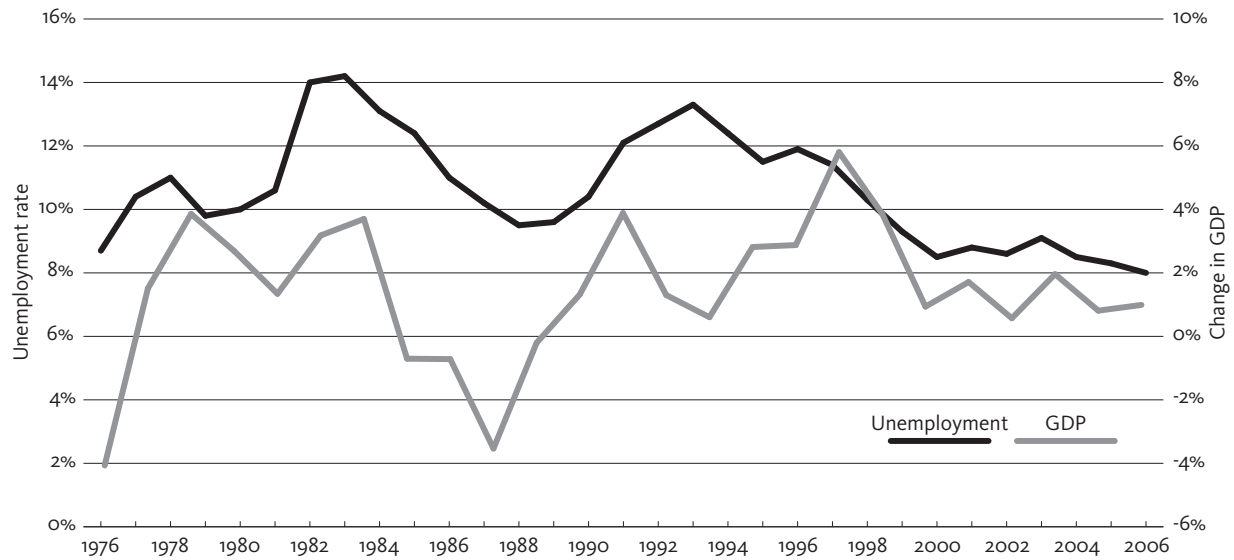
Looking at the GDP growth rate and unemployment rate curves, it is possible to see two distinct periods, namely 1976 to 1989 (the 1980s) and 1990 to 2005 (the 1990s). According to employment insurance data, 1976, 1989, 1990 and 2005 are employment “peaks” since unemployment was at its lowest then. The unemployment rate continues to drop and in 2007, reaches its

lowest historical level, 7.2% since 1976. The years 1983 and 1993 proved to be the historic “valleys”, where the unemployment rate reached a maximum.

During the 1980s, Quebec experienced its lowest employment rate during the recession. The unemployment rate at that time went from 8.7% to 14.2%. The subsequent increase in GDP is reflected by a drop in the unemployment rate to a low of 9.5% in 1988.

Between 1989 and 1993, Quebec was hit by another recession. The unemployment rate exceeded 13% in 1993. Starting in 1994, despite a few slack periods (1996, 2001–2003), the Quebec economy has been growing steadily. The economic recovery since 1994 resulted in an increase in employment and GDP, which is reflected in a gradual drop in the unemployment rate until reaching its lowest level in 30 years, 7.2%. That is to say that the economic situation from 1993 to 2007 was one of growth. We can therefore hypothesize that these periods of prosperity in Quebec must have resulted in a collective increase in income, reflected by, among other

FIGURE 3.4 Change in Unemployment Rates and GDP Growth Rates From 1976 to 2006



things, a closing of the gap between the rich and the poor. This is what the next few pages will attempt to ascertain.

The increase in GDP and job creation since 1993 helped increase government revenues. Revenue from Quebec taxation for 2005–2006 is assessed at \$55.4 billion¹⁶, a gradual increase since 1995–1996. The Quebec government considered

the province’s economy to be prosperous enough to allow its revenues to drop by providing cuts in personal income tax of \$7.6 billion between 2000 and 2005. As indicated in a prior paper from the IRIS, that drop in tax levies by the government disproportionately benefitted the most affluent people, at the expense of public services¹⁷.

CHAPTER 4

Current Situation of Families

We will now focus on the status of Quebec families with children under 18 in 2006.

Table 4.1 shows the minimum and maximum amounts of each decile, in terms of employment earnings*. When the annual earnings of Quebec families are divided into deciles, the 10% of families with the lowest earnings earn less than \$12,247 a year. As for families with children in decile 10, they had annual earnings of over \$131,060, which is at least ten times the maximum earnings of families in the first decile.

Figure 4.1 illustrates the breakdown of median annual earnings of families with children in 2006. The median earnings of decile 1, which is the poorest, is \$1,589. In other words, 5% of Quebec families earn less than that amount per year. Recall that the families in the first decile include families who had no employment earn-

ings (unemployed) and those who had negative earnings, for example, a self-employed worker who incurred losses. The median earnings of families making up the richest decile is \$158,280, which is nearly 100 times that of families in the first decile.

The median earnings of all Quebec families is \$52,155, whereas mean* earnings is \$62,428. The resulting gap, over \$10,300 a year, shows that it is the richest deciles that affect the mean by pulling it upwards. In addition, this gap widened between 1997 and 2005. Between 1976 and 1997, the mean of the differences between median earnings and average earnings was \$6,575, whereas that mean has been \$10,500 since 1997. In other words, since 1997, the incomes of the richest deciles have been growing more quickly

TABLE 4.1 Breakdown of the Deciles in Quebec By Earnings * (In 2006 Constant \$)

Decile	1	2	3	4	5	6	7	8	9	10
From	0	12,248	22,615	34,482	43,804	54,590	66,207	79,185	97,042	131,060
To	12,247	22,614	34,481	43,803	54,589	66,206	79,184	97,041	131,059	...
Spread	12,247	10,366	11,866	9,321	10,785	11,616	12,977	17,856	34,017	...

FIGURE 4.1 Median* Annual Earnings in 2006 for Quebec Families

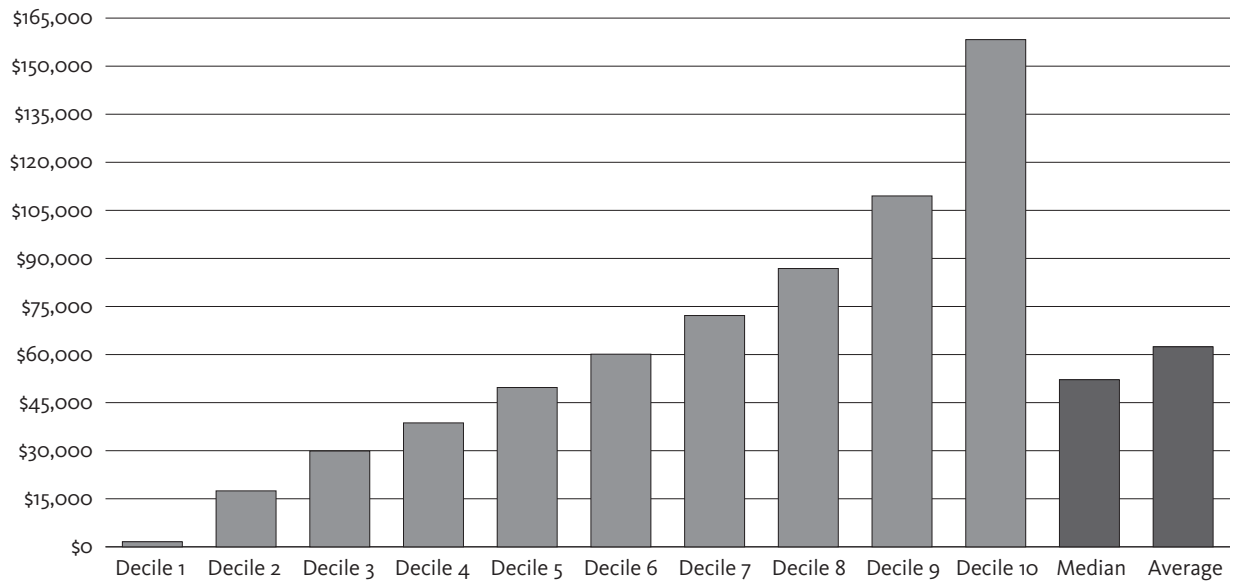


TABLE 4.2 Division of the Deciles in Quebec By After-Tax Income* (In 2006 Constant \$)

Decile	1	2	3	4	5	6	7	8	9	10
From	0	28,369	37,855	42,740	49,736	56,225	65,185	73,389	83,373	105,832
To	28,368	37,854	42,739	49,735	56,224	65,184	73,388	83,372	105,831	...
Spread	28,368	9,485	4,884	6,995	6,488	8,959	8,203	9,983	22,458	...

than the middle and lower deciles, where the least well-off families are stuck.

Including government transfers, the first decile has an after-tax income of less than \$28,368. Families whose after-tax income exceeds \$105,604 are the richest 10% in Quebec¹⁸.

Government assistance in the form of transfers improves the median available income for nearly two-thirds (60%) of families (deciles 1 to 6) through, among other things¹⁹, taxes on the earnings of families in the upper deciles. The first decile increased its income by more than 13.6 times. This is the largest improvement of all the deciles. This increase is due to the very low amount of earnings prior to that assistance. The various transfers and income received through the income redistribution programs enable fami-

lies in the first decile to greatly improve their initial income, but these amounts are often barely enough to buy the absolute necessities. In terms of decline, the most significant reduction in income affects decile 10, whose median earnings dropped by over a fifth (21.3%). Redistribution has a bigger impact for those on the receiving end (between a 5.9% and 1,264.3% increase in incomes for the lower-income deciles who are net beneficiaries of transfers) than when it is given (between 5.2% and 21.3% decrease in incomes for those at the top of the income spectrum). It is primarily deciles 1 to 5 that benefit from redistribution, whereas deciles 7 to 10 lose part of their earnings in the redistribution.

Once incomes are calculated after tax and transfers, the median income of the richest

FIGURE 4.2 Median Annual After-Tax Income in Quebec For Families In 2006

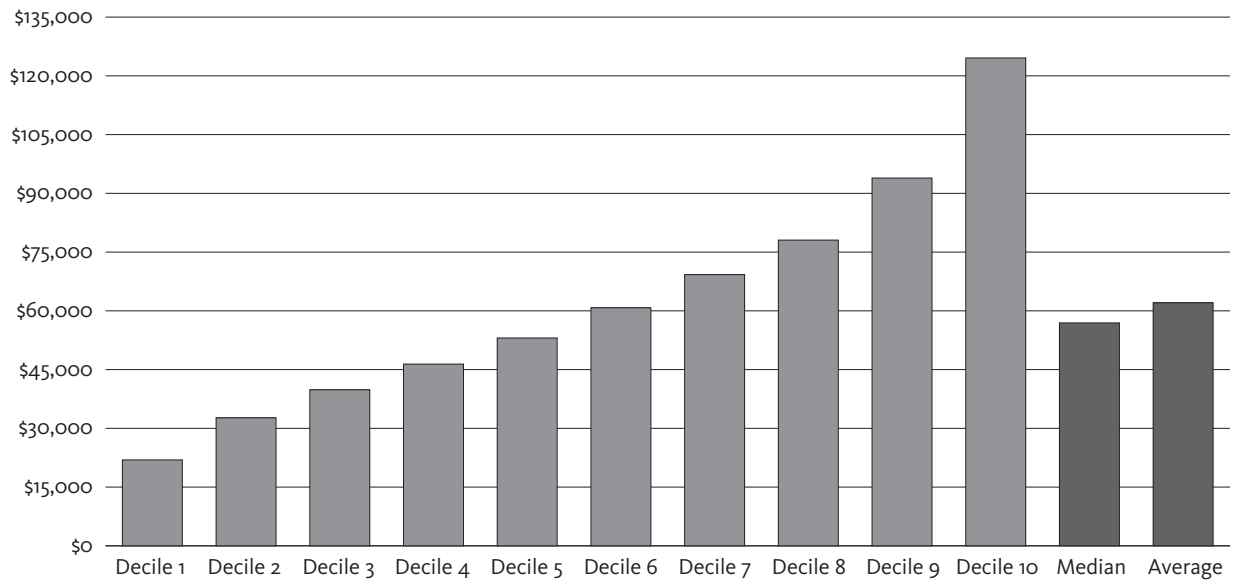


TABLE 4.3 Difference Between Earnings and After-Tax Income in Quebec For Families in 2006 (In 2006 Constant \$)

Decile	1	2	3	4	5	6	7	8	9	10
Median Earnings	1,589	17,465	29,898	38,678	49,720	60,119	72,179	86,853	109,503	158,280
Median After-Tax Income	21,678	32,241	39,702	45,914	52,630	60,237	68,424	77,370	92,834	124,568
Difference	20,089	14,776	9,804	7,236	2,910	118	-3,755	-9,483	-16,669	-33,712

decile is 5.75 times higher than that of the poorest decile. This is a much lower ratio than the rich/poor ratio for median earnings before redistribution. For Quebec families, government intervention significantly reduces the inequalities created by the market.

Table 4.3 shows us that deciles 1 to 5 benefit the most from the combination of government tax and transfer actions. - The lower the decile on the scale, the more its economic profile is improved

through redistribution. Decile 6 remained stable, while deciles 7 to 10 show after-tax incomes lower than their earnings, though many of these families also benefited from transfers. The last decile is the one that contributed the most to government revenues, while still enjoying available income that is significantly higher than the other deciles. For Quebec families, government redistribution helps reduce the gap between rich and poor fuelled by the market.

Gini Coefficient*

We saw that, in 2006, employment was at its highest peak in at least 30 years and GDP was in a period of steady growth. In other words, if we are to believe the dominant discourse, income inequalities should be less significant than at other times. In this chapter, we will use the *Gini coefficient*, a widely used statistical measure, to highlight the impact of increasing economic growth on the Quebec population during the reference period (1976–2006). This instrument is used specifically to calculate economic inequality within a population. The Gini coefficient scale ranges from 0 to 1. The closer the result is to 1, the more unequal is the distribution. A result closer to 0 indicates a more equal distribution. In view of the wealth creation seen over the past 30 years, neo-liberal economics would suggest a drop in this coefficient, or stability at least.

By applying the Gini coefficient to economic families — families with or without children, we see a less equal distribution of wealth in 2006 than in 1976 among families where the head of household is under age 65. In 1977, the coefficient showed the best score in terms of earnings, a low of 0.315. The increase in inequality due to the recession in the 1990s was not offset

in the subsequent period. Instead we see an increase in income inequality. In 2006, the Gini coefficient was 0.347 for earnings and 0.300 for after-tax income.

For Quebec's population as a whole, the Gini coefficient for after-tax income was even higher, around 0.375 in 2006, compared to 0.353 in 1976²⁰.

Figure 5.2 shows a 30-year high in 2006, evidence of growing income inequality. In spite of the fluctuations, the Gini coefficient has continued to increase since 1976 in Quebec. Yet the situation remains more equal than in the rest of Canada, where the Gini coefficient for 2006 was 0.392 (after-tax income)²¹. Despite a drop in the unemployment rate and a rise in GDP over the past 10 years, income inequality in Quebec and in the rest of Canada was worse in 2006 than in 1976.

A progressive income tax system allows for a certain amount of income redistribution. When the Gini coefficient measures just market earnings, it is significantly higher than when it is calculated after government transfers, for both individuals and families. Government action mitigates income inequalities. In the second half of the 1990s, despite a steadily increasing GDP and

FIGURE 5.1 Gini Coefficient For Quebec's Economic Families With Head of Household Under 65, Based On Earnings and After-Tax Income, From 1976 to 2006²²

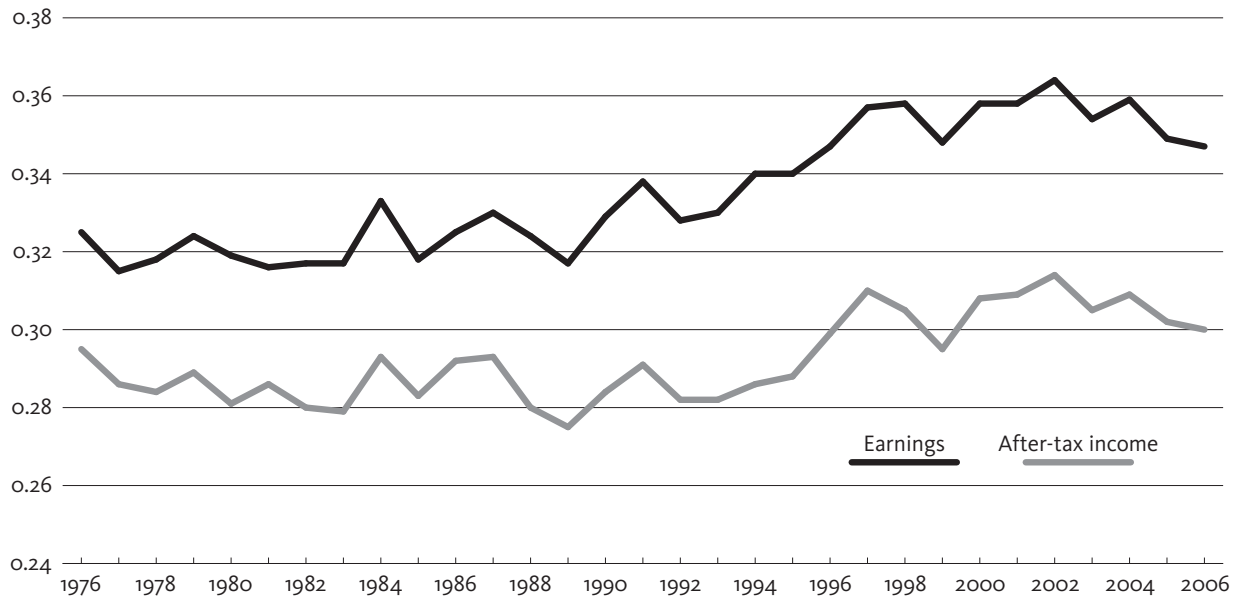
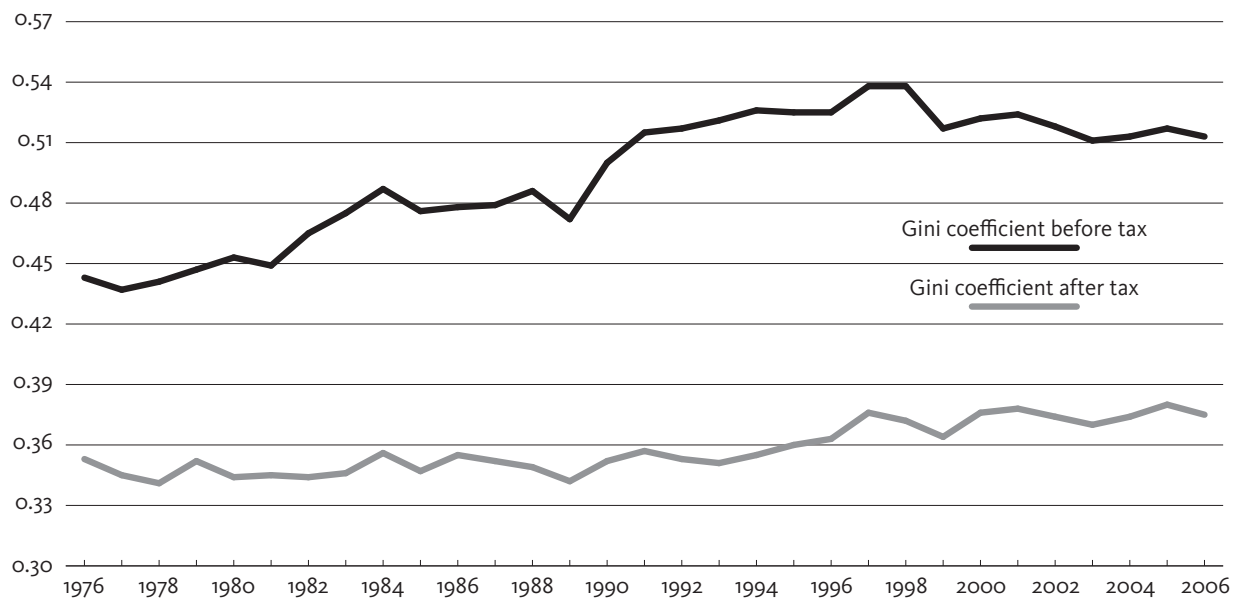


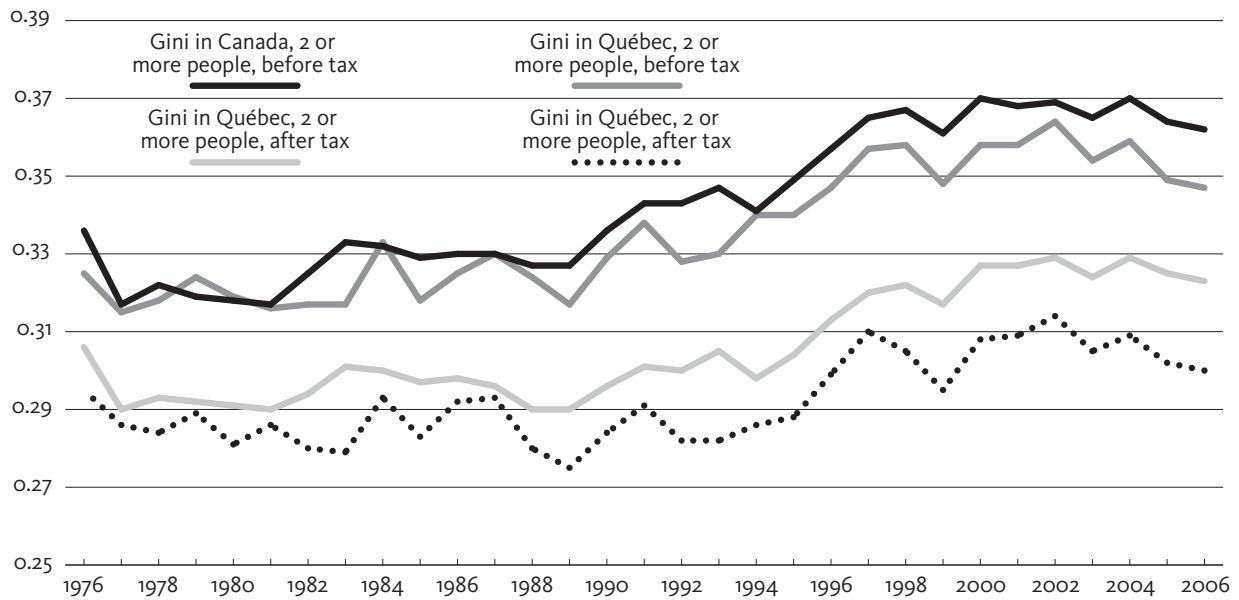
FIGURE 5.2 Gini Coefficient For All Quebec Residents, From 1976 to 2006²³



a drop in the unemployment rate, the Gini coefficient continued to climb for individuals as well as families. Then, during the most recent dec-

ade Quebec, like the rest of the country, experienced its greatest growth in income inequality since 1976 for the population as a whole, despite a concurrent period of strong economic growth.

FIGURE 5.3 Gini Coefficient For Quebec Compared to the Canadian Average For Families²⁴



Quebec was doing well overall. In 2006, the unemployment rate was at its lowest level in over 30 years. The province had never been as rich, and growth was stable at around 2%. Yet we see the Gini coefficient continue to rise, which is evidence that income inequality is not decreasing. On several occasions, for example when there is a notable increase in GDP, this coefficient drops somewhat, but it is the upward trend that is the most enduring. Neither the strength nor the size of the economy guarantees better income redistribution or reduced poverty.

A comparative review of the Gini coefficients for Canada and Quebec demonstrate that income

inequality is smaller in Quebec than in Canada for families with two or more members. Since 1988, the Gini coefficient for Quebec families with two or more members has been lower than for Canada²⁵.

For after-tax income, since 1977, the Gini coefficient has been systematically higher for Canada than for Quebec. In other words, the Quebec government's intervention systematically reduces income inequality within its borders, and does so more effectively than does Canada as a whole.

Gap Between the Richest and the Poorest

One way to measure income inequality between the rich and the poor is to calculate the ratio between the average after-tax incomes of the first and last deciles. Projected over several years, the change in this ratio shows the changing gap in income after government transfers and taxes between the richest and the poorest families in our society. The higher the ratio, the greater the income inequality.

In Figure 6.1, the ratio is calculated as a percentage, measuring the relationship between the average after-tax income of the last and richest decile versus the average after-tax income of the first and poorest decile. That ratio oscillated in alternating years, which reflects, among other things, the use of large and smaller sample sizes in alternating years by Statistics Canada. The smaller the sample size, the more variability in the tails of the distribution. By drawing a trend line, we even out those variations, giving us a better view of the change in the relationship between the richest and the poorest families. Despite annual fluctuations, the ratio between the average after-tax income of the richest and poorest deciles remained relatively stable at around 725% until the 1990s. The greatest change was

an increase starting in the early-1990s, while the ratio was at its lowest, and seemed to stabilize in the early-2000s at its highest trend level in 30 years. The average income of the richest decile is between 751% and 800% of what it is for the poorest decile, with a mean of 769%. However, employment growth and a stronger economy since 1996 led to a generalized increase in incomes for all deciles, resulting in a drop in the ratio by 2006, so that the average after-tax income of the richest decile fell to 690% of the average income in the poorest decile. Although that figure is meaningful and tends to indicate a shrinking gap between the rich and the poor, the almost constant fluctuations of the past few years makes it difficult to predict the change in the ratio, particularly given the economic crisis of 2008–2009.

Since the first decile involves relatively volatile numbers, we tried to paint a more accurate picture by comparing the poorest deciles (1 to 3) to the richest decile. That picture is completely different.

A long, slow increase appears from 1978 to 1997. So the average after-tax income of the richest decile goes from 405% to 509% of the aver-

FIGURE 6.1 Ratio Between the Average After-Tax Incomes²⁶ of the Richest Decile and Poorest Decile

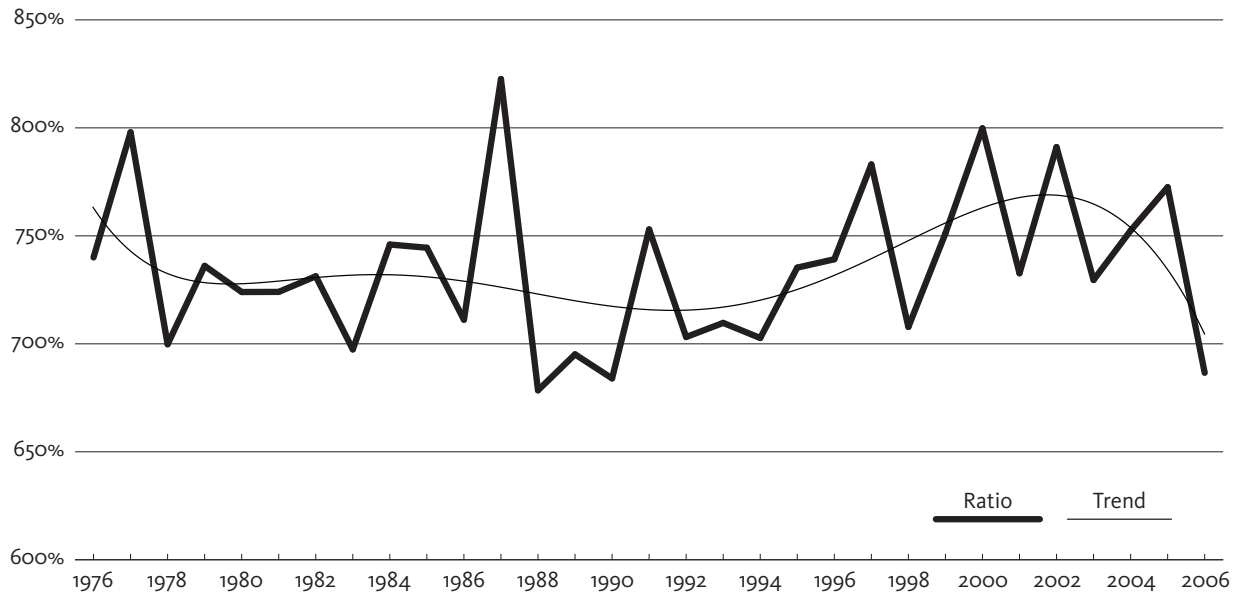
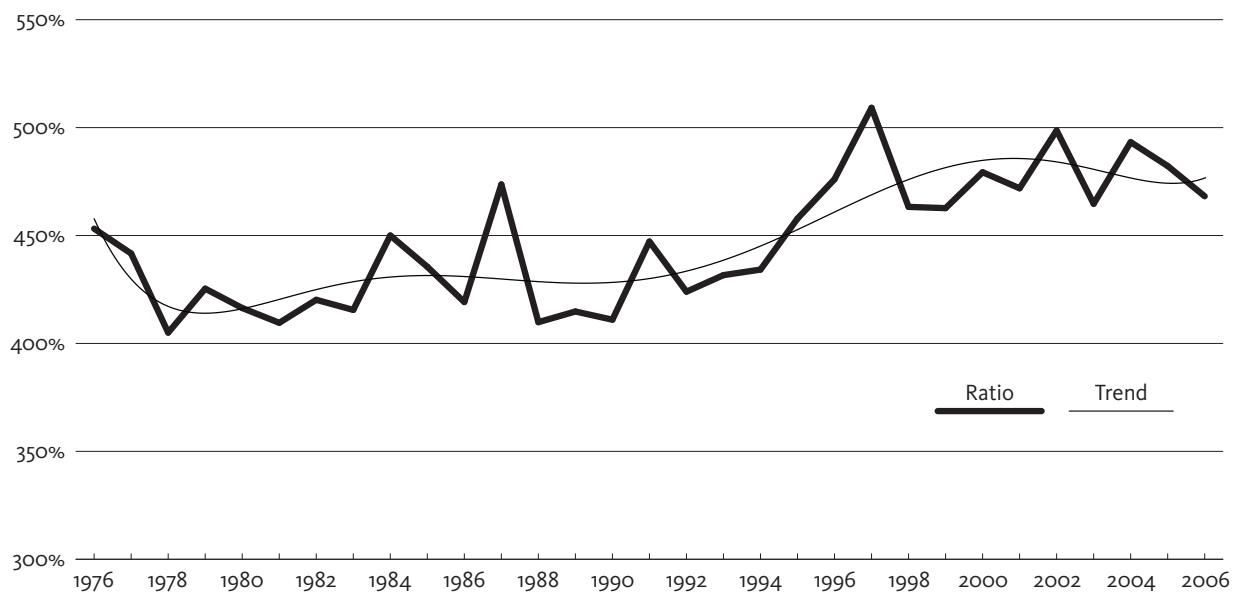


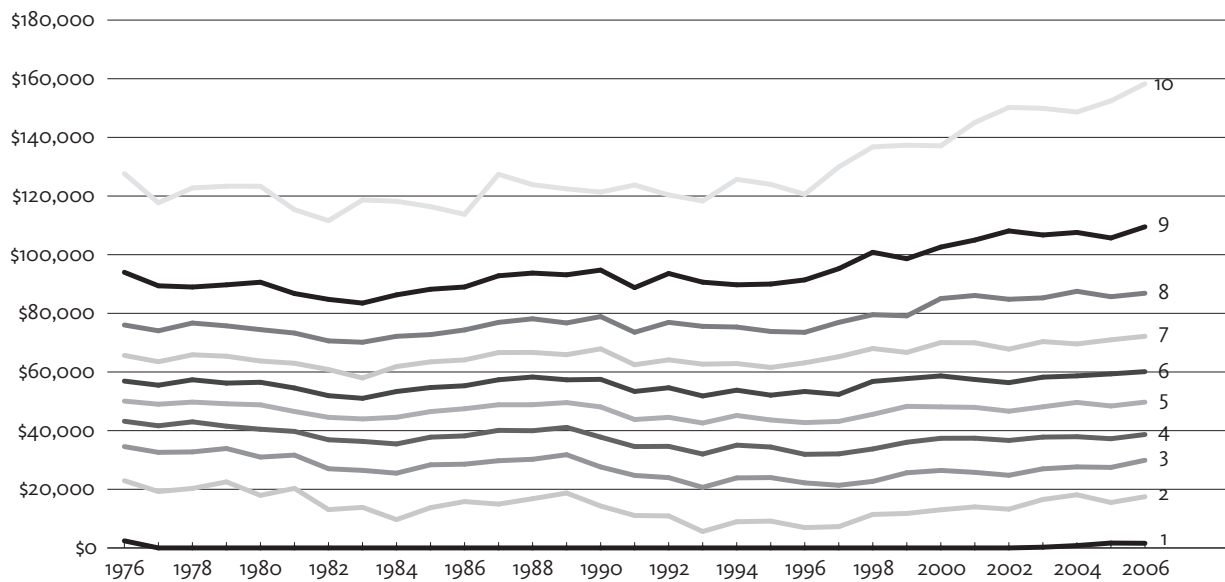
FIGURE 6.2 Ratio Between the Average After-Tax Incomes of the Richest Decile and the Three Poorest Deciles



age of the three poorest deciles. To reduce the variations between years, we inserted a trend curve into the graph. We can more clearly see the steady rise in the ratio, which varies much less in the past few years, but since the ratio is

at a much higher level, there is nothing to celebrate. The poorest deciles are not in the process of closing the income gap, even after taxes. As we saw, the poorest decile is doing somewhat better, but that improvement is not occurring in

FIGURE 6.3 Median Earnings Per Decile in 2006 Constant Dollars



the other lower deciles. The financial support allotted by tax and government transfers goes primarily to the least well-off — the poorest 10% of families — but neglects the others, allowing the gap between the richest and poorest to widen.

For a different view of the economic situation of Quebec families, we graphed the median earnings of each decile from 1976 to 2006. A society that truly becomes wealthier would see all deciles increase equally. However, a widening gap is clearly seen between the richest decile and the rest of the population. That gap increases appreciably starting in 1996. Moreover, a distinction clearly appears between deciles 1 to 5 and the others. In 2006, families in the bottom half of the distribution had lower median earnings than their counterparts in 1976, while the opposite is true for the upper half of the distribution, deciles 6 to 10.

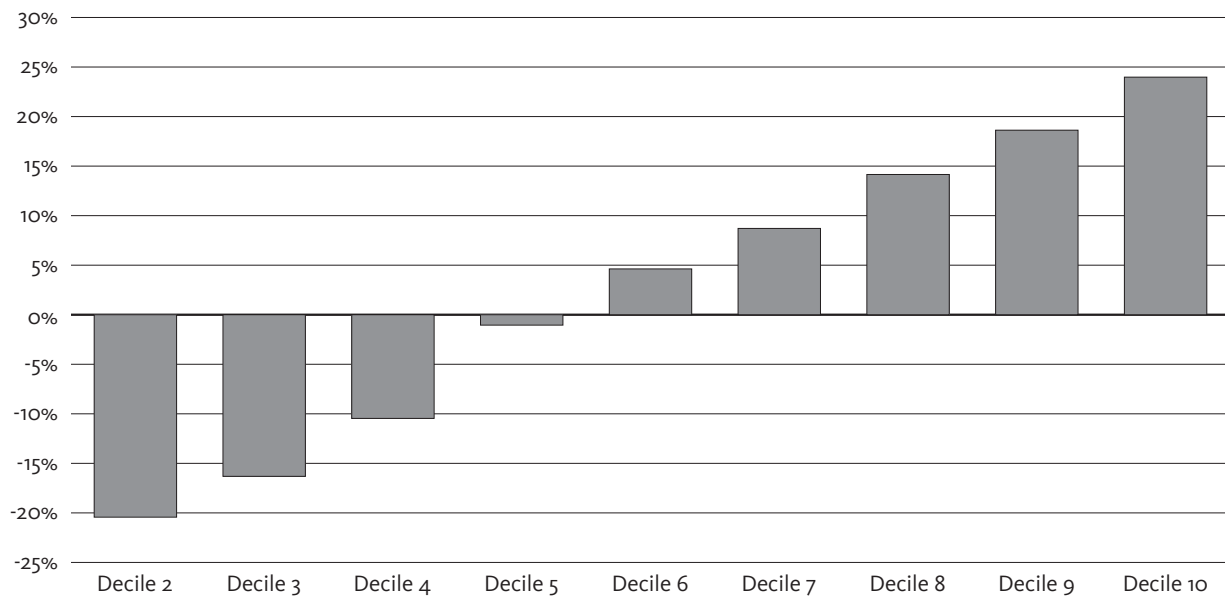
Figure 6.3 clearly shows that the distance between the deciles has increased over time. The 10th decile, which represents the median earnings of the richest 10% of families, maintained a modest gap with the 9th decile — a gap that has

expanded over the past few years. Although the median earnings increased for all deciles after 1996, it did so especially for the deciles at both ends of the spectrum. Disregarding the first decile, which includes all the unemployed (with median earnings in 1996 and 1997 of \$0), it is the second decile that experienced the greatest increase in earned income, followed by deciles 3 and 10. During that time, the middle deciles also saw their earnings rise, but much less significantly, nearly half of the percentage shown by the second and the last deciles.

Therefore, while some deciles saw important increases to their incomes, others earned less than they did 30 years ago. To illustrate these differences, the spread between the median earnings²⁷ of the periods 1976–1979 and 2003–2006 was calculated for each decile in Figure 6.4. Recall that we used the median rather than the mean, which avoids the most extreme data, particularly from the richest and poorest deciles. The result is unequivocal.

The four lower deciles (2 to 5) saw their earnings drop by 1% to 20% over the course of a gen-

FIGURE 6.4 Per Decile Differences Between the Median Earnings of 1976–1979 and 2003–2006²⁸



eration. The upper deciles (6 to 10) increased their earnings from slightly (5% for decile 6) to substantially (24% for decile 10). The differences were gradual. We note that the second decile (since the first is excluded) is the one that experienced the biggest drop in income and the last decile is the one that enjoyed the biggest increase in income. Not only is the percentage increase of the richest decile the highest, it is also nearly twice as large as the increase in incomes for families in decile 9.

Even though the decreases and increases are not exactly proportional, the graph shows surpris-

ing, confounding symmetry. Since it is earnings in constant, not current, dollars that are compared, there is no rationale that could account for such symmetry. The decreases of some deciles are not offset by increases in others. Moreover, as we will see in the chapter on the distribution of working time (Chapter 9), there appears to be a lack of consistency when these data are matched with the increase in hours worked. The share of income divided among the families in the lower deciles is reduced while the richest families benefit from redistribution, solely due to market outcomes.

Share of Earnings and Income

Since this study focuses on the issue of income inequality, we compared the share of earnings of the three groups of deciles over two four-year periods, 1976 to 1979 and 2003 to 2006. This enables us to see changes in the distribution of income between income groups over the past 30 years. A decreasing gap between the rich and the poor in a society should normally reflect a more equal distribution of income among them. For income distribution to be more equal, the lower deciles would need to have a greater share of total incomes in 2003–2006 than in 1976–1979.

Figure 7.1 clearly shows that both the lower and middle groups of deciles saw their share of earnings drop by 3%. Correspondingly, the upper deciles increased their share of earnings by 6%. Not only did the richest third of families (30%) see their share of total income increase, but by isolating decile 10, the one with the richest families, we see that it alone increased its share of total income by 5%, accounting for almost all the growth in the share of earnings for those at the top of the income spectrum. The distribution of total earnings among Quebec families is increasingly unequal, with the three upper deciles (primarily the richest) having an

increasingly larger share of the income at the expense of the other deciles, including the middle deciles. This concentration of earnings among families in the richest decile reduces the share of earnings going to everyone else. Although the overall rise in earnings puts more income into circulation, the distribution of it is still unequal, even increasingly so.

Figure 7.2 details these changes decile by decile and makes it easier to distinguish those deciles that became richer from those that became poorer in terms of earnings. We clearly see that the increase in income is mostly limited to the last decile, the one with Quebec's richest families. In contrast, no decile outside of the upper groups shows a greater share of earnings in 2003–2006 than in 1976–1979. Although society has more wealth in general (indicated by the rise in GDP), that wealth is not distributed uniformly, nor proportionally to past earnings. Left on its own, the market therefore tends to concentrate the income gains among the upper deciles — families that already have the most income.

We now conduct the same comparative exercise, this time using income after tax and transfers. In Figure 7.3, total after-tax income is bro-

FIGURE 7.1 Share of Total Earnings Per Decile (Comparison of 1976–1979 and 2003–2006)

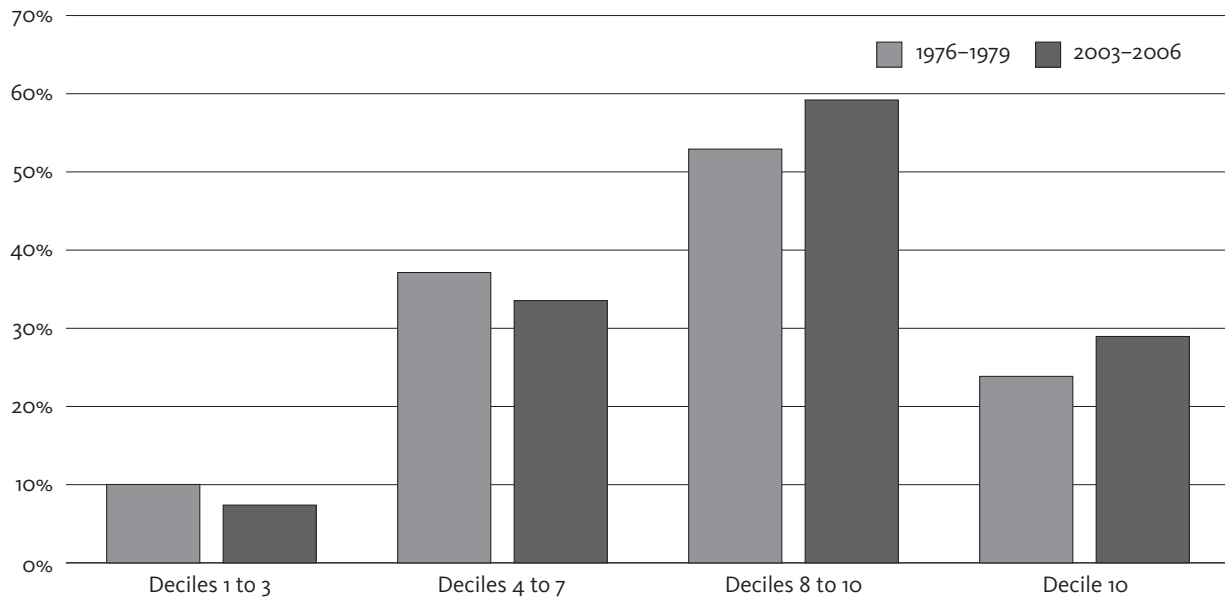
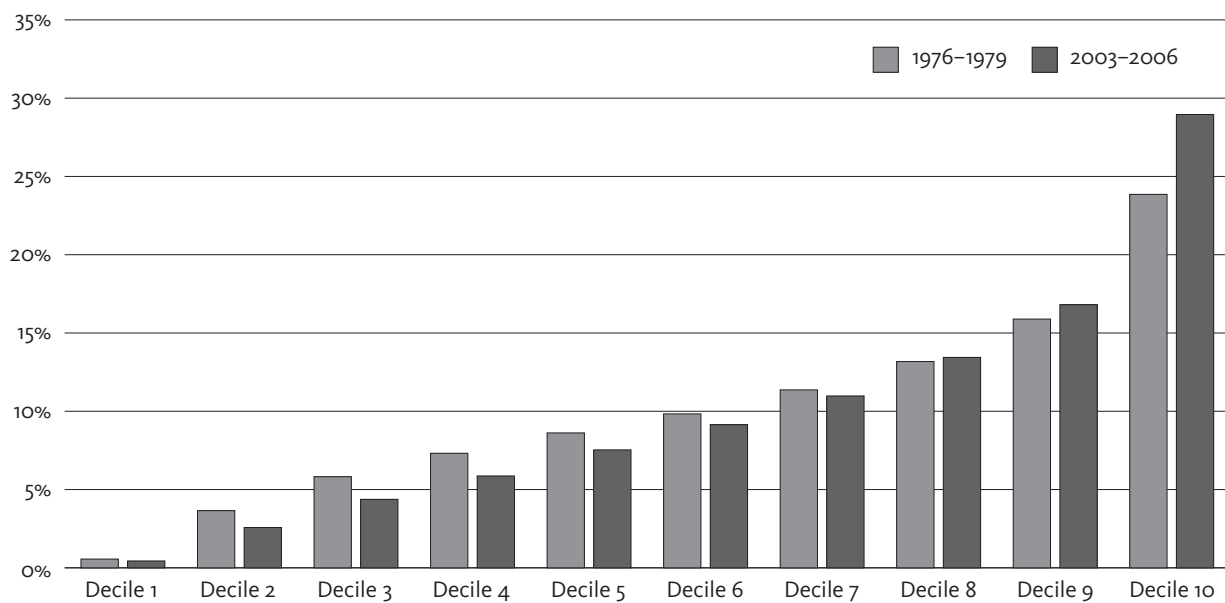


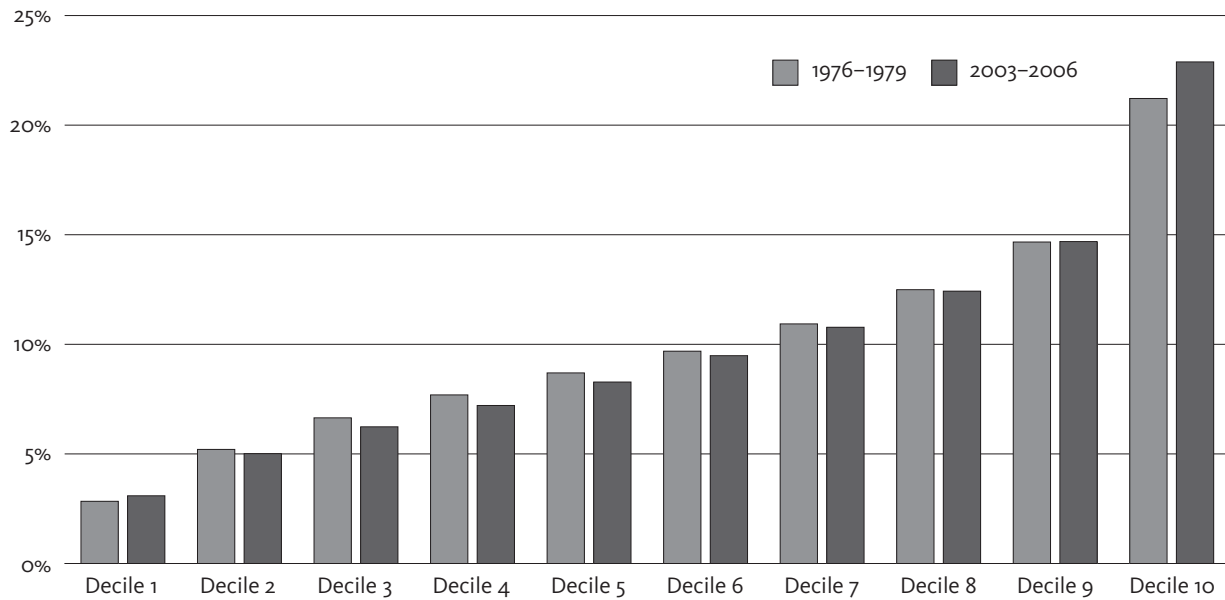
FIGURE 7.2 Share of Total Earnings By Decile (Comparison of 1976–1979 and 2003–2006)



ken down by decile in order to analyze how it is distributed across the population; in other words the share of total after-tax income held by each decile after accounting for transfers and tax.

Not only do we see greater stability in the percentages between the two periods, but also a distribution that, compared to earnings, shows a reduced gap between the richest families (upper deciles) and the poorest families (lower deciles).

FIGURE 7.3 Share of Total After-Tax Income By Decile (Comparison of 1976–1979 and 2003–2006)



While the richest decile had almost 30% more of total earnings than the poorest decile, the spread fell to less than 20% for after-tax income. The changes over 30 years are much less significant. Only decile 10, the richest group, shows a variation of over 1% between the two periods. It is also the only decile, along with decile 1, to experience an increase in its share of total after-tax income. We therefore see a degree of stability from one period to the next, despite the slight drops experienced by most of the deciles. However, note that the upper decile stands apart yet again, experiencing the greatest income gains.

Admittedly, government intervention reduces income inequality among families, but in particular it reduces the unequal trends in market income distribution. The lower deciles, which experienced a significant erosion of earning power, stabilized their after-tax incomes due to government action. However, even after that intervention, the upper deciles continue to in-

crease their share of total income at the expense of the middle deciles. In other words, left to the market, the change in earnings increased the income gap between the richest and the poorest, while transfer and taxation policies helped stabilize the share of the income in the middle deciles and the poorest groups, while the richest group increased their income share between 1976–1979 and 2003–2006.

Comparing the change in earnings to the change in after-tax income shows a considerable reduction in income inequality between families through government transfers and the taxation system. However, it is important to note that income distribution has not become more equitable in recent years. Although government intervention helps reduce the gap between the rich and the poor, that gap has continued to widen year after year ever since the tax redistribution mechanisms started being dismantled.

Government Involvement In Reducing the Gap Between Rich and Poor

In this chapter, we focus on the impact of tax measures and government transfers on the income of Quebec families. As we previously noted, the market is the dynamic that widens the income gap between the families in the richest and the poorest deciles. Government redistribution mechanisms reduce that impact.

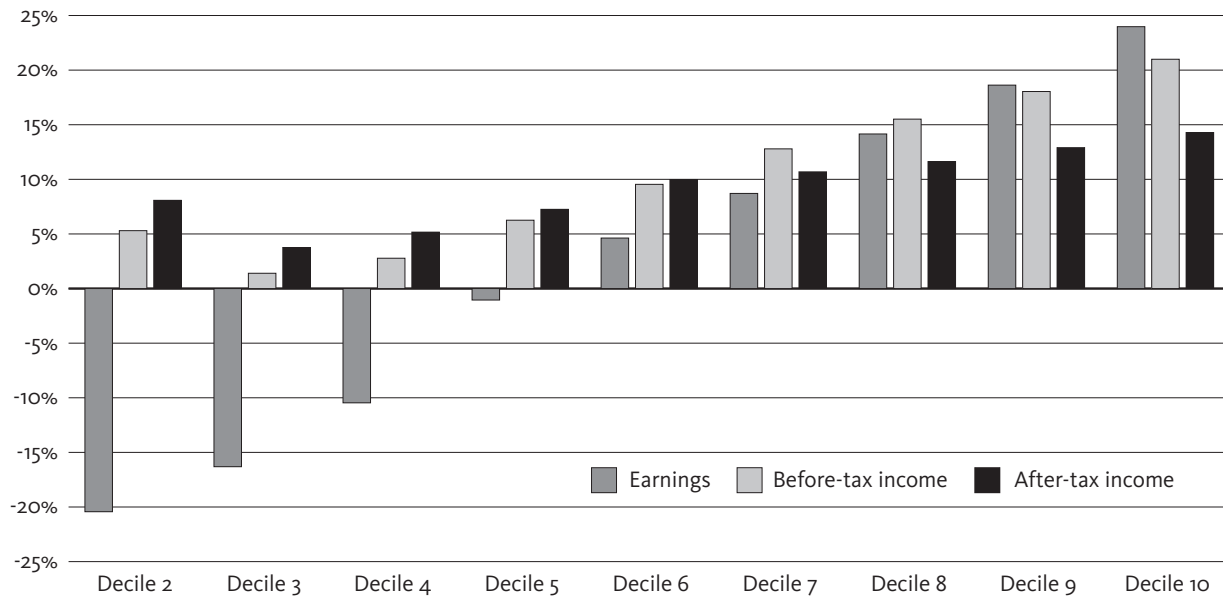
Table 8.1 shows the absolute gap (in 2006 constant dollars) and proportional gap (in percentage) between median after-tax²⁹ incomes

for 1976–1979 and 2003–2006. Even though the median after-tax income of all deciles increased between 1976–1979 and 2003–2006 by a percentage ranging from 3.8% (third decile) to 20.0% (first decile), the differences vary considerably depending on the economic level of the deciles. The increase for the first decile is an exception. As a percentage, its after-tax median income increased the most — the only lower decile to experience a more rapid income increase than

TABLE 8.1 Percentage Difference of Median After-Tax Income, Per Decile Comparison of the Periods 1976 to 1979 and 2003 to 2006

Decile	Median 1976–1979	Median 2003–2006	Difference	% difference between the periods
1	\$16,349	\$19,617	\$3,268	20,0%
2	\$28,483	\$30,784	\$2,301	8,1%
3	\$36,528	\$37,902	\$1,374	3,8%
4	\$42,086	\$44,260	\$2,174	5,2%
5	\$47,377	\$50,814	\$3,437	7,3%
6	\$52,700	\$57,961	\$5,261	10,0%
7	\$59,549	\$65,913	\$6,364	10,7%
8	\$68,271	\$76,211	\$7,940	11,6%
9	\$79,429	\$89,677	\$10,248	12,9%
10	\$104,089	\$118,961	\$14,872	14,3%

FIGURE 8.1 Comparison of Median Earnings/Income³²/After-Tax Income Between 1976–1979 and 2003–2006



the upper deciles. To put that in perspective, the poorest decile had a considerable gap to close, being located below the low-income cut-off for a two-person family³⁰. It is the Quebec and Canadian governments' intervention³¹, through transfer measures, that enables many families in the first deciles to get out of that precarious state. The very principle of income redistribution is to increase the standard of living of the poorest individuals and families, with the aim of enabling everyone to live in comparative dignity. Though the income increases affect all deciles, they are not consistent across the economic categories. It is the upper deciles whose incomes increase the most, not just in absolute terms but in relative terms as well. Thus, that gap can only widen, with the rich becoming decidedly richer from year to year.

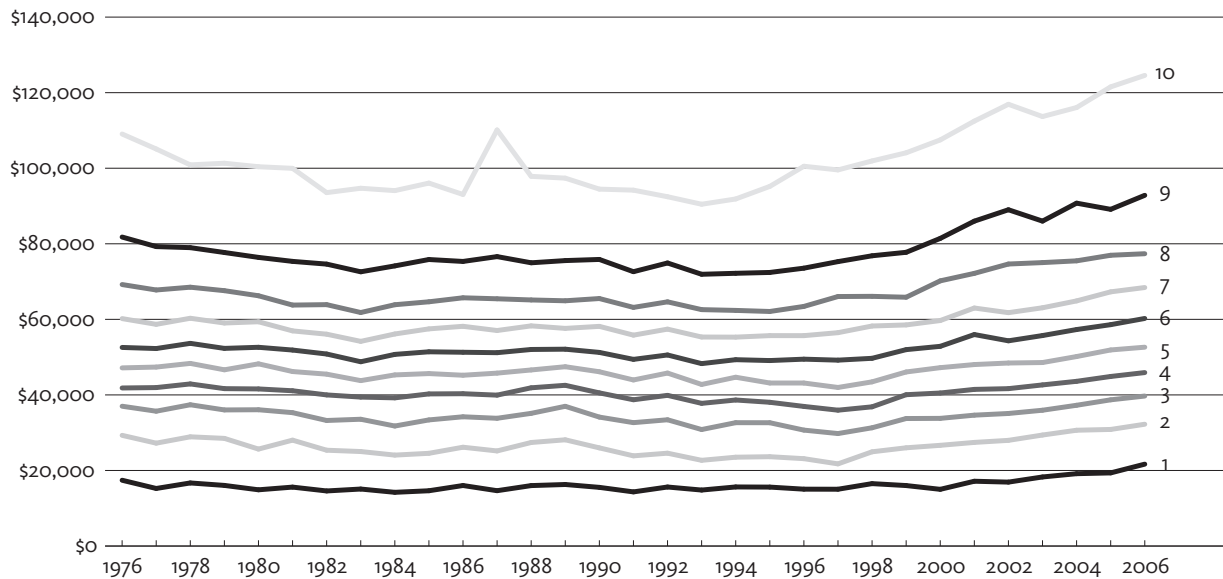
The difference seen between the earnings of the various deciles during the 1976–1979 and 2003–2006 periods presents a rather negative picture of the changing income gap between the rich and the poor. Yet that picture is more encouraging if we use before- and after-tax income

as the comparator. Once again, for the sake of thoroughness, the first decile was not considered because of zero values for earnings at the median level for many years between 1976 and 2006, an indication of high levels of unemployment.

The second decile is the one whose status improves the most, going from a 20% drop in earnings to an increase in after-tax income of nearly 8%. The other lower deciles (2 to 4) also saw their earnings drop greatly, but their after-tax income remained relatively stable despite slight variations. Decile 10 still shows the most significant improvement, whether earnings or after-tax income. With after-tax income, the rate of growth for the last three deciles (8 to 10) is relatively similar, especially compared to the significant differences in rates of growth for earnings of those same deciles.

Figure 8.1 clearly shows the impact of the redistribution measures implemented by government. Without reducing the gap between rich and poor, the various redistribution mechanisms have greatly mitigated the impacts of decreased earnings for the families in deciles 1 to 5 over the

FIGURE 8.2 Median After-Tax Income Per Decile



past 30 years. Through government transfers and progressive income tax systems, no decile had lower after-tax incomes in the 2003–2006 period compared to the 1976–1979 period. The after-tax income of the 40% richest families increased less rapidly than their before-tax income or their earnings, but they still continued to see their income increase more quickly than those in the lowest deciles. The median after-tax income of families in the upper deciles increased much faster than that of the families in the poorest deciles during the same time period, despite government redistribution. Although income transfer mechanisms reduce the gaps between the upper and lower deciles, that improvement does not offset the gap that continues to widen between rich and poor families.

As with earnings, the median after-tax income of the richest decile increased considerably over the past few years. We see greater stability in after-tax income differentials between the deciles than we did with earnings, even though the past 10 years show a widening gap, illustrated by increasing distance between

the income curves. Government intervention in the economy, particularly through transfers and tax, helped reduce the impacts of economic crises on families. We also note that, despite these redistribution policies, economic crises still hit the poorest deciles the hardest. We see that the gap still widened between families in the upper deciles and those in the lower deciles, although it is not as pronounced as when income distribution is left to the market alone.

After-tax incomes in 1976 and 2006 were relatively similar for families in all deciles, except for those in the upper deciles, where incomes are much higher than 30 years ago. Between these two reference years, it is possible to see several periods of variation. From 1976 to 1983, a widespread drop in incomes took place at the same time as the recession. The poorest families, i.e. those in the lower deciles, felt the impacts of the economic slowdown much longer than the others. Their median income continued to drop for one year more than for the upper deciles. The following period was relatively stable, with a slight increase for all deciles until 1991. The recession

of the early-1990s reduced the median income of all families. In 1998, the median income of all deciles started to increase. As for the richest decile, income started to rise starting in 1994, and grew more rapidly than the other deciles. As we saw in section 6, the gap between the upper decile and the lower deciles, i.e. between the 10% richest and the 30% poorest, has increased considerably over the past 20 years. The depiction of median after-tax income in Figure 8.2 shows an increasing distance between these income groups, especially over the past few years. In other words, the incomes of the most well-off families are growing most rapidly. Time did not reduce the gap between the rich and the poor; it widened it, despite an increase in everyone's income.

Through the redistribution mechanisms of taxation and government transfers, the families who are the least well-off saw their situation im-

prove slightly compared to 1976. With the upper deciles, earnings increased much faster than after-tax income. The fact remains that the top decile benefited most, regardless of the way income is examined. When comparing median after-tax incomes over time, the increase of the top decile appeared to accelerate relatively recently, starting from the mid-1990s, which is immediately after the 1990–91 recession. The economic upswing was especially beneficial for the richest decile³³.

The government's role is essential since, without its intervention, the families in deciles 1 to 5 would have incomes lower than 30 years ago. Moreover, it is false to claim that a focus on redistribution economically disadvantaged the richest. Their earnings may have dropped after tax, but their incomes still increased faster all other deciles. As the upper deciles continue to enjoy the most rapid advances in incomes, the income gap widens in Quebec.

Changes In Working Time For Families With Children

Common sense leads us to believe that you simply need to “work more to earn more”. Increasing the hours and weeks worked would enable everyone to improve their lot. That mantra has been repeatedly used during the 2000s, both by special interest groups and various governments.

The next few pages will enable us to analyze the correlation between earnings and extra weeks worked for families with children between 1976 and 2006 to confirm whether working more closes the income gap.

Between 1976 and 2006, the number of weeks worked³⁴ annually by families with children in Quebec increased considerably. The average number of weeks reached its highest level in 2001 with a mean of 89.2 weeks worked annually per family.

To better show the increase in number of weeks worked, we added a trend line to Figure 9.1. It indicates a steady rise in the number of weeks worked up to 2003, after which a decline starts. However, in 2006, the number of weeks that families worked annually experienced another rise and reached 88.7 weeks, which is an additional 14.2 more weeks of paid work per family with children, on average, than in 1976.

Even though most families raising children increased the average number of weeks worked, it is the lower and middle deciles that show the greatest increase. In fact, the increase in weeks worked for the poorest 30% of families in 2003–2006 (11.0%) was nearly double that of the richest 30% of families (5.8%). For the families in the middle four deciles, the increase in working time is even greater. The increase in additional weeks worked (16.5%) was nearly triple that of families in the upper deciles. Note that the low increase in the upper deciles is due primarily to the trends in the richest decile, which decreased its number of work weeks. In 2003–2006, the richest families worked nearly 6% fewer weeks than their counterparts in 1976–1979. Recall that their earnings underwent the opposite trend, increasing at a more significant rate than the rest of Quebec families. In view of this data, families belonging to decile 10 appear ultra-privileged, working less while their earnings increased substantially, by 24%³⁵.

Between 1976–1979 and 2003–2006, a comparison of average weeks worked and earnings shows that the increase in weeks worked did not result in an equivalent increase in earnings. On

FIGURE 9.1 Average Weeks Worked Annually By Quebec Families According to Statistics Canada

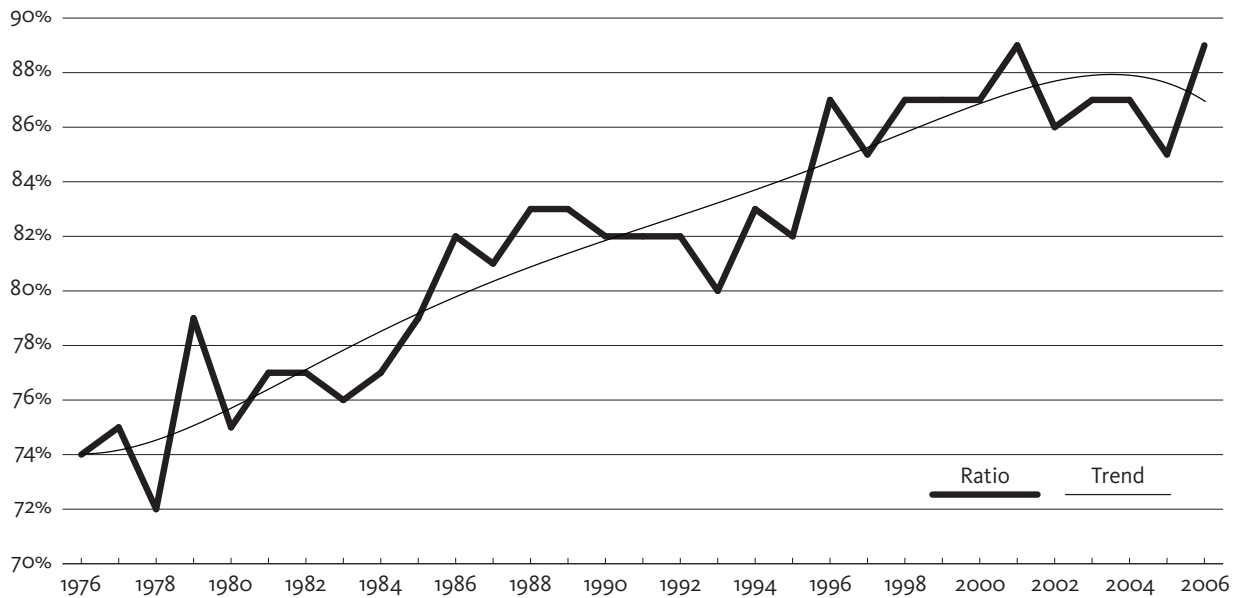


TABLE 9.1 Difference in Weeks Worked Between the Periods 1976–1979 and 2003–2006

Deciles	Number of Additional Weeks	% Increase
Lower	6.7	11.0
Middle	15.4	16.5
Upper	6.5	5.8
Decile 10	-6.5	-5.7

average, Quebec families with children worked 11.8 weeks more over the period 2003–2006 than the period 1976–1979, an increase of 15.7%. On average, they earned only \$7,184 more, 12.5%. Proportionately, the increase in their work time is much less than that of their earnings.

9.1 Number of hours

We will now look at the impact of the increased number of hours worked on the median earnings of families. This will be one way to analyze the change in the labour market over 10 years³⁶.

Figure 9.2 demonstrates the change in the average number of hours worked per family in Quebec between 1997 and 2006.

In 1997, Quebec families with children worked an average of 2,710 hours per year. Ten years later, in 2006, the average hours worked by Quebec families rose to 3,031 hours. Quebec families therefore worked an average of 321 hours more per year in 2006 than in 1997, an increase in working time of 12%, or the equivalent of eight weeks of full-time work on average. Between 1997 and 2001, they experienced a steady rise in work hours, to a peak of 3,164 annual work hours, the highest in 10 years³⁷. Let us now look at the distribution of that increase across the deciles.

The difference in earnings is not directly connected to the number of hours families worked, as Figure 9.3 indicates. The graphs for deciles 5–6 and deciles 8–10 crisscross throughout the dec-

FIGURE 9.2 Average Hours Worked Annually By Quebec Families With Children According to Statistics Canada Between 1997 and 2006

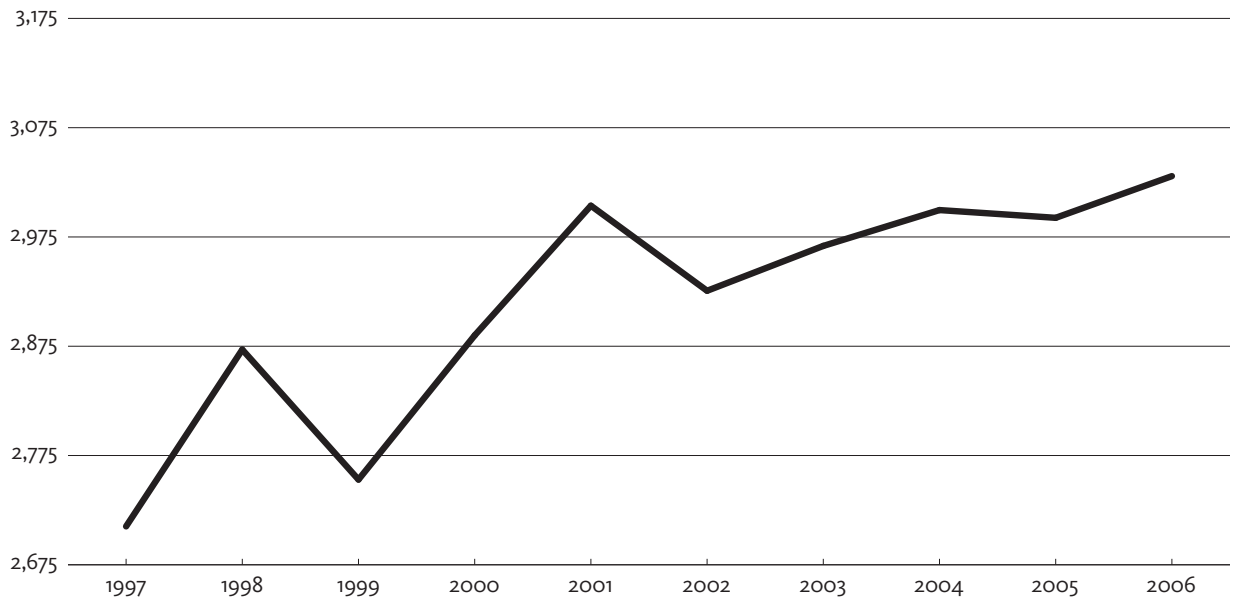
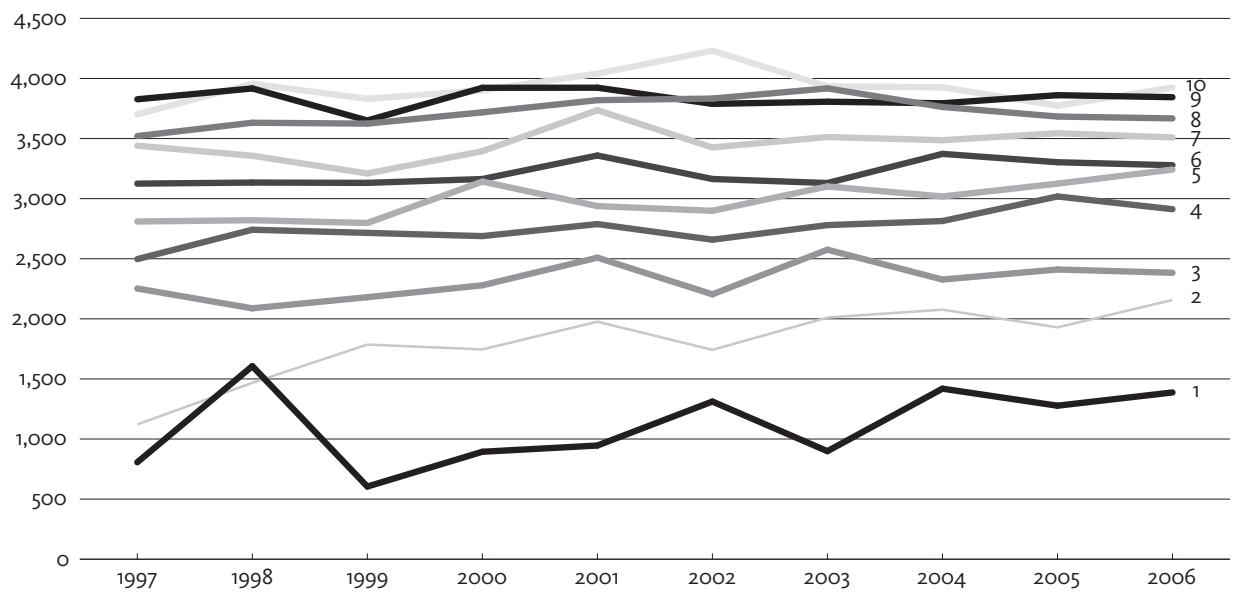


FIGURE 9.3 Average Hours Worked Annually By Quebec Families With Children, Per Decile, According to Statistics Canada Between 1997 and 2006



ade, which indicates great similarity in the average annual number of hours worked by these groups, despite important differences in incomes. Families in decile 2 and deciles 4 and 5 experi-

enced the greatest increase in hours worked, while families in deciles 7, 9 and 10 worked relatively stable hours. We also note that the average of extra hours worked in 2006 is over 500 hours

TABLE 9.2 Difference Between the Average Number of Hours Worked and Average Monthly Earnings For Families With Children in Deciles 2 to 10³⁸ Between 1997 and 2006

Decile	Difference between 1997 and 2006...		
	...in average extra hours (%)	...in average extra monthly hours	...in average extra monthly dollars (2006 \$)
2	92.4%	86	781
3	5.8%	11	664
4	16.6%	35	560
5	15.4%	36	532
6	4.9%	13	586
7	2.0%	6	595
8	4.2%	12	886
9	0.5%	1	1,277
10	6.1%	19	4,043
Average	16.4%	24	1,103

(519) for deciles 1 to 5, which is more than four times the average of the other deciles (6 to 10), who only worked an additional 122 hours. The families in the lowest deciles are working much more than 10 years ago, without an equivalent increase in earnings. For the most well-off families, the low increase in hours worked is compensated by significant additional earnings. This dynamic creates an imbalance between time worked and income received, which we look at in greater detail in Table 9.2.

Looking at the number of hours worked in 10-year intervals, compared with average earnings at the start and end of the same period, reveals that, on average, Quebec families worked more hours for more earnings. They increased their work hours by nearly one sixth (16.4%) for an average increase in earnings of slightly more than \$1,100 per month. Note, however, that the gains are primarily in decile 10, which inflates that average.

The work/earnings relationship in Quebec is not consistent from one decile to the next. The proportion of increased earnings changes with additional hours worked. While deciles 8–10 slightly increased their working time over the past

10 years, their family earnings increased more significantly than their working time. However, the increase in hours worked proved to be much less profitable for the rest of Quebec families. For example, families in the middle deciles worked many more hours per month for a less significant average increase in earnings than those of the upper and lower deciles. It was deciles 2 and 3 that increased their monthly work time the most, which provided them with a substantial increase in earnings³⁹, but which remained below the growth rate of incomes in the upper deciles.

As noted in Table 9.2, the jobs that had the greatest increase in average earnings by additional hours worked were those held by families in the upper deciles. For many Quebec families, an increase in hours worked is needed to maintain a stable standard of living. However, it also shows us that increases in the number of hours worked is not commensurate with increased earnings.

The “working poor”

When looking at the historical change in the income gap between the richest and the poorest, we see the gap grows during times of recession. Since the poorest families often work in less

stable jobs, they more readily bear the brunt of economic crises and see their earnings drop or disappear, while families in the higher deciles maintain relatively stable earnings in tough economic times⁴⁰. During economic upswings, the drop in the unemployment rate helps reduce the gap and create more jobs. This explains why access to employment is traditionally a promise of greater equality between the rich and the poor.

However, the picture changed starting in the late-1990s. The economic recovery enabled less well-off families to increase their income, but it particularly benefitted the 10% richest families. The least well-off families did not experience the usual benefits of an economic recovery, whereas families in the richest decile enjoyed a steady improvement in earnings (see Figure 6.3). The upper deciles steadily increased their earnings, regardless of the economic cycle. That change created more pronounced and lasting inequality, since the rest of the population felt the economic fluctuations.

Given that the minimum wage increased more slowly than the cost of living, every hour worked ended up, in terms of remuneration, with a lesser value than in 1976. The result is the appearance of a category of individuals who, despite having full-time work, dropped below the low-income measure. These are the “working poor”.

The low-income measure^{*} is an international tool for comparing poverty levels, equating to 50% of the median family income “adjusted” based on number of family members.

In 2006, 5% of the people holding a full-time job in Quebec were earning less than the low-income measure, after tax⁴¹. One-sixth (15%) of people working part-time and one-seventh (14%) of those who had a full-time and part-time job in 2006 were included in the low-income measure⁴². Many families need multiple jobs to avoid financial insecurity. According to *Hunger Count 2006*⁴³ by Food Banks Canada⁴⁴, 13.4% of the individuals relying on food banks had a job that year, which is an increase of nearly 12.6 % over

2005. Although the percentage of people holding jobs who were among the users of food banks in Quebec was not available in 2006, we know that, one year later, that rate was 12.6%. Even so, the low-income measure has limitations in assessing poverty. In fact, it does not take into account each family’s consumption needs or the economic region in which they live. However, there is another way to measure poverty: the low-income cut-off^{*}. It is “an income threshold below which a family will likely devote a larger share of its income on the necessities of food, shelter and clothing than the average family”⁴⁵. This threshold is also differentiated by geographic area of residence.

According to the *Institut de la Statistique du Québec*, in 2006, 12.7% of Quebec’s population was below the after-tax low-income cut-off, more than half of whom (7.2%) were families in which the head of household was 65-years-old or less⁴⁶. With respect to single-parent families headed by a female in Quebec, 24.2% fell below the after-tax low-income cut-off in 2006⁴⁷. Unlike the previous figures, these percentages do not distinguish between the type of work of the individuals assessed (full-time, part-time, both or none). Even though we do not have access to that information, we suspect that the working poor percentages would be higher if we were to assess them based on the low-income cut-off rather than the low-income measure. In 2006, the low-income cut-off used by Statistics Canada was \$27,769 for a family of three⁴⁸, \$33,716 for family of four and \$38,240 for a family of five⁴⁹. Referring to the data in section 4, it can be deduced that the families of four in deciles 1 to 4 often live below the poverty line.

Even with employment income, many families must live below one of the poverty thresholds. In other words, amount of time devoted to work is not an indicator of adequate income.

Change In the Economic Class Distribution Of Families

In this section, we look at the change in the distribution of Quebec families since 1980. According to the mainstream promise of prosperity, a growing economy should raise the living standards of the general population. Over time we should see some movement from the lower part of the income spectrum to the middle and upper end of the distribution. Put another way, economic growth should lead to fewer families in the poorest income categories.

To analyze changes in the distribution of families between economic classes over time⁵⁰, we set the definitions of decile in 1980 as the base year, and we held those decile values constant over time. In other words, from 1976 to 2006, we tracked what proportion of families fell into the lower, middle and upper economic classes defined by 1980 income deciles.⁵¹

In 1980, the middle 40% of families raising children in Québec earned between \$35,600 and \$68,800; 30% of the population earned less, and 30% earned more. In after-tax terms, the middle 40% had incomes between \$38,000 and \$67,600 (all figures provided in constant 2006 dollars).

In this analysis, we see the importance of the low-, middle- and upper-income groups change

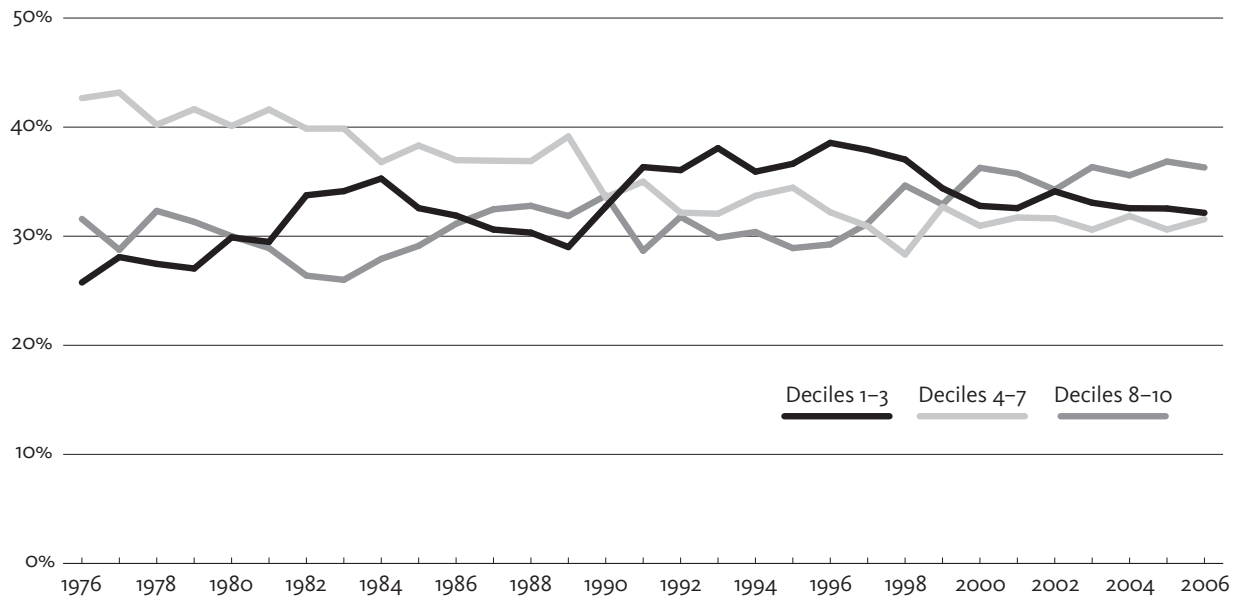
over time — not by the income amounts that define them, but by the number of families in them. To define those groups, we duplicate the classification used above: the lower earnings (or after-tax income) group is based on deciles 1 to 3, the middle earnings (or after-tax income) group is based on deciles 4 to 7 and the upper earnings (or after-tax income) group is based on deciles 8 to 10.

It is important to note that these figures are not measures of inequality, but rather a way of determining how income distribution by the market or by the government affects the economic progress of families raising children in Québec. Let's take a look, first by examining the change in earnings.

10.1 Earnings

Figure 10.1 helps determine that a change in the widely understood model of western society, founded on a stable and sizeable middle class, has occurred over the past 30 years⁵². Quebec is witnessing polarization of family earnings, with a reduction in the middle group of deciles and growth in the upper and lower groups. The

FIGURE 10.1 Distribution of the Population By 1980 Earnings Deciles



middle group had increasingly fewer families and today is the smallest of the three groups. As the recession wore on in the 1990s, the middle income group shrank from 35% to 28% of the population of families raising children⁵³. By 2006, after a decade of sustained economic growth, this middle income group, which represented 40% of all families in 1980, accounted for only 32% of all Quebec families, which is exactly the same percentage as the lower group. The decline in the number of families in the middle income group happened fairly steadily over the 30-year time frame.

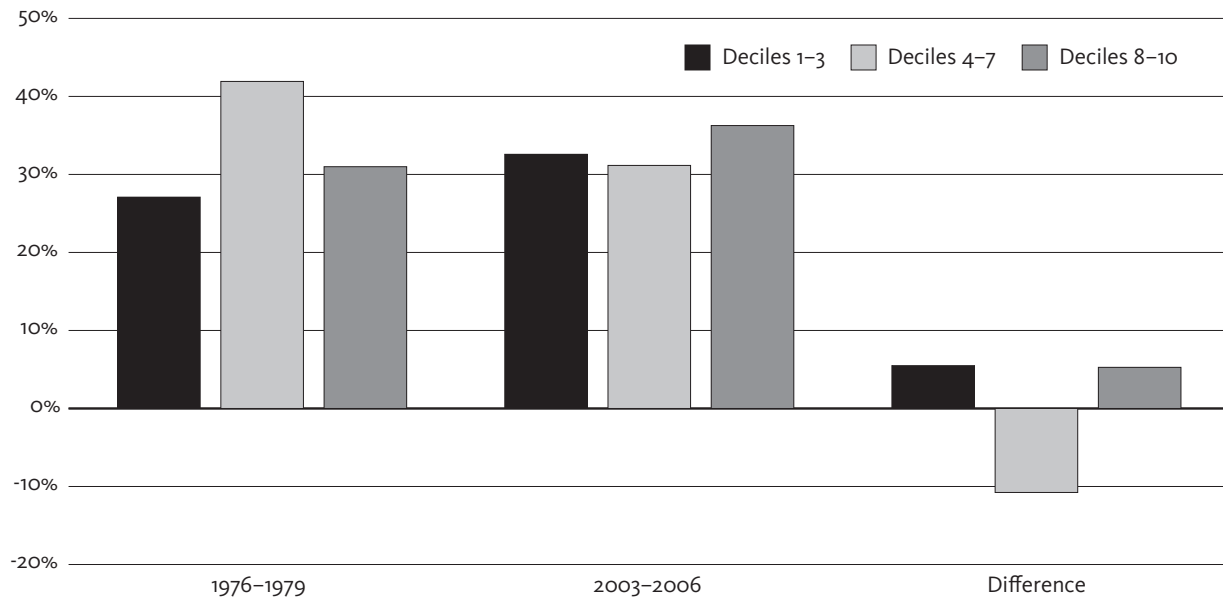
The number of Quebec's lower income families, based on the 1980 deciles, also varied considerably from 1976 to 2006. Its percentage increased until 1984 and then decreased over several years as the economy improved. In 1989, it accounted for less than 30% of the population. For most of the 1990s, the poorest group grew to become the most populated of the three groups. Despite another period of economic growth after the mid-1990s, the percentage of families falling into this poorest group remained stable,

at roughly 33%. By 2006, even though the situation was less economically difficult than in the 1990s, the lowest-earning category held a larger proportion of today's families raising children than in 1976. In fact, during the late-1970s there were fewer families in the lowest earning group than at any other time over the past 30 years. Also in the late-1970s, the number of families in the middle group exceeded 40%. That situation persisted through the 1981–1982 crisis, but changed after 1984.

Between 1976 and 1983, the percentage of upper-earnings families dropped and then started climbing again until 1990, when they made up 35% of families. Since 2000, they have made up the plurality of families in Quebec, with a percentage varying between 34% and 37%.

Interestingly, when the percentage of families increased in the upper group, it dropped in the lower group, and vice versa. However, despite good times or bad, the size of the middle income group shrank, regardless of the size of the other groups. As a result, earnings of families raising

FIGURE 10.2 Difference in Population Distribution Based on the 1980 Earnings Deciles Between 1976–1979 and 2003–2006



children in Québec are more polarized today than a generation ago.

Figure 10.2 shows even more clearly the change in the makeup of the population in terms of earnings distribution. In the late-1970s, the group consisting of families whose earnings fell into the bounds of the middle 40% in 1980 was the largest group in Québec society, with 42% of families. The group of families with the lowest earnings was the smallest group in the late-1970s, at 27% of families. Almost 30 years later, the middle class had shrunk dramatically, and both the richer and poorer income groups were larger than they had been a generation ago. Whereas the “middle” made up 40% of the families in 1980, the middle-earnings group accounted for less than a third of society in the most recent period, making it not only the smallest group, but also the only income class to have undergone a sharp drop in size (11% since 1976).

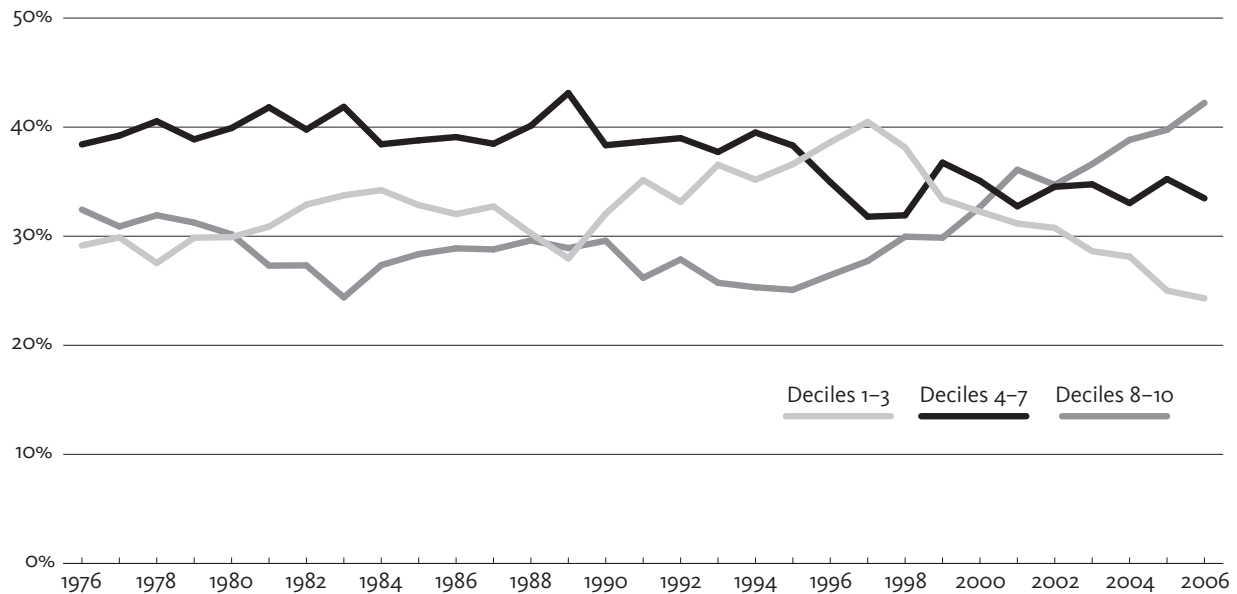
This means that the scenario referred to at the start of the section is far from the reality presented by this graph. Economic growth is not

enough to ensure general economic progress. When income distribution is left to market forces alone, growth is limited to the deciles making up the wealthiest group. While there are increasingly more rich people, there are also increasingly more poor people, and the middle class is shrinking considerably. At least in this era, economic growth has led to increased polarization between the rich and the poor.

10.2 After-tax income

To complete this study on the re-arranging of families within the economic classes in Quebec, we carried out the same decile exercise as above using after-tax income. We wanted to determine whether the taxation system and government transfers lead to a better distribution of income among Quebec families raising children. As previously stated, an improved redistribution dynamic would lead to a reduction of the size of the lower income group, stability or growth

FIGURE 10.3 Population Distribution Based on the 1980 After-Tax Income Deciles



in the middle income group and an increase in the upper income group.

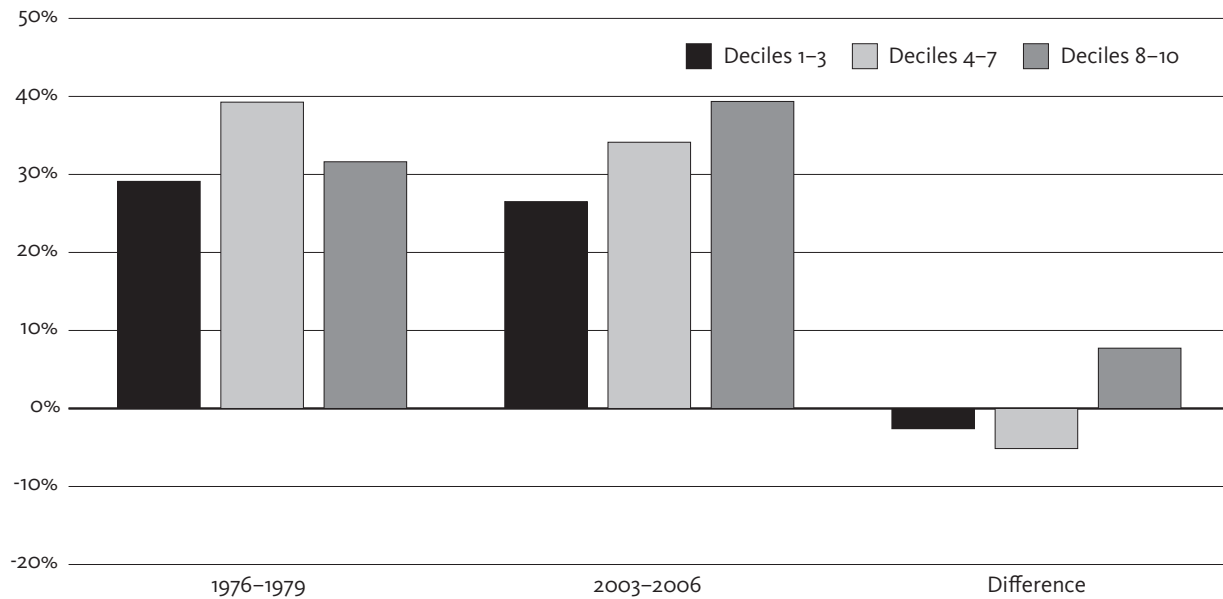
The group consisting of families with middle incomes based on the 1980 deciles remained stable for several years, but declined drastically starting in 1994 (an almost 10% loss over 3 years). It then climbed again and stabilized around 35% of families. As for the families in the lower income group, its percentage started to increase in 1989, then dropped after peaking in 1997. It has been falling steadily since then and was the smallest group (24%) in 2006, after dropping over 15% in less than 10 years. The sudden rise in 1997 of the size of the lower group is offset by an equally rapid decrease in the middle group. The size of the upper group underwent a slow, yet steady rise starting in 1997, increasing by 16% in 9 years.

Once again, this demonstrates the importance of government involvement in income redistribution. Between 1976 and 1996, a 20-year period, the middle group remained relatively stable, representing about 40% of the population. The number of families falling into the lower and up-

per groups, though, was especially affected by the recessions. In 1995, a new picture of Quebec families raising children emerged. The percentage of families in the middle group decreased considerably, whereas the percentage of families belonging to the lower group peaked at 41% in 1997, and the percentage of families belonging to the upper group started climbing slowly. These changes resulted in a significant re-arrangement of the importance of income classes, with the middle class declining in importance and the upper class gaining in size. In 2006, the percentage of families in the upper group as defined by 1980 standards was the largest (42%), the families in the lower group made up only 24% of Quebec families, and the middle group accounted for 33% of families.

Over the course of the past 30 years, the economic makeup of Quebec families has changed greatly in terms of income, based on the norms of a previous generation. The podium diagram, in which the middle class is dominant, has changed to a staircase diagram, in which the upper class is dominant. The lower and middle deciles shrank

FIGURE 10.4 Differences in Population Distribution Based on the 1980 Income Deciles Between 1976–1979 and 2003–2006



in favour of the upper deciles. Recall that we are working with 1980 constant deciles. As we saw in previous sections, the incomes in all the deciles increased as a result of government transfers. Figure 10.4 is partly explained by the government redistribution, which helped increase the incomes of all families, regardless of decile.

While the lower and upper deciles grew, at the expense of the middle deciles, based on the 1980 *earnings* measure, we see the lower deciles shrank and there is a less pronounced reduction of the middle deciles when considering after-tax incomes. The obvious question that is raised is, given market dynamics, how much more can governments do to stabilize the erosion of the middle class and deterioration of the economic strength of the lower classes?

The slight reduction in the number of families in the lower income group after a generation needs some context: the lower deciles now work more weeks in a year than they did in the late-1970s, as noted in section 9. However, the additional weeks of work were not enough to lift

these families out of the lowest-income group. Recall as well that this apparent stability in the size of the lower-income group, compared to the late-1970s, occurred several years after a significant rise in the percentage of families who found themselves in the lower-income group because of recessionary conditions (see Figure 10.3). Compared to 30 years ago, the increase in hours worked apparently resulted in an almost negligible result in terms of improved earnings. However, there has been a substantial increase in the number of families in the highest income group. Without question, some people have indeed benefited from economic growth.

It is important to understand that this section in no way contradicts our previous findings. As we saw, the incomes of all deciles increased, either slightly or significantly. Each fluctuation can lead to a change in the groups defined by the 1980 deciles. We see an increase in collective prosperity, but without that prosperity being distributed equally. The gaps simply continued to grow, as we saw in preceding sections.

That said, the differences between the distribution of families based on 1980 earnings and the actual distribution based on 1980 incomes once again reveals the danger of leaving income distribution to the market. Without government intervention, the percentage of families making up the lower income group would have increased

rather than remain roughly the same as a generation ago. The middle income group also shrinks much less than if just earnings are considered. Government mechanisms therefore offset inequalities, without reducing them, by redistributing the numbers in the upper group towards the middle and lower groups.

Conclusion

Between 1976 and 2006, Quebec's economy (GDP) increased by over 71%. However, we did not see general improvement in the economic prosperity of Quebec's families raising children, nor did we see a proportional improvement in the lot of the poorest. On the contrary, all the indicators in this study document an even more unequal distribution of income than in the past. In fact, the Gini co-efficient, which quantifies income inequality, noticeably increased over the past 30 years, rising from 0.325 in 1976 to 0.347 in 2006 in terms of after-tax incomes of all households in Quebec. Among families raising children, the ratio between the average after-tax income of Quebec's richest families (decile 10) and poorest (deciles 1 to 3) also changed a great deal over the past 30 years. From 1978 to 1997, the ratio increased 26%, rising from 405% to 509%. Despite a decade of growth, this ratio remained stable until 2006, with the average income of the top decile amounting to roughly 500% of that of the first three deciles.

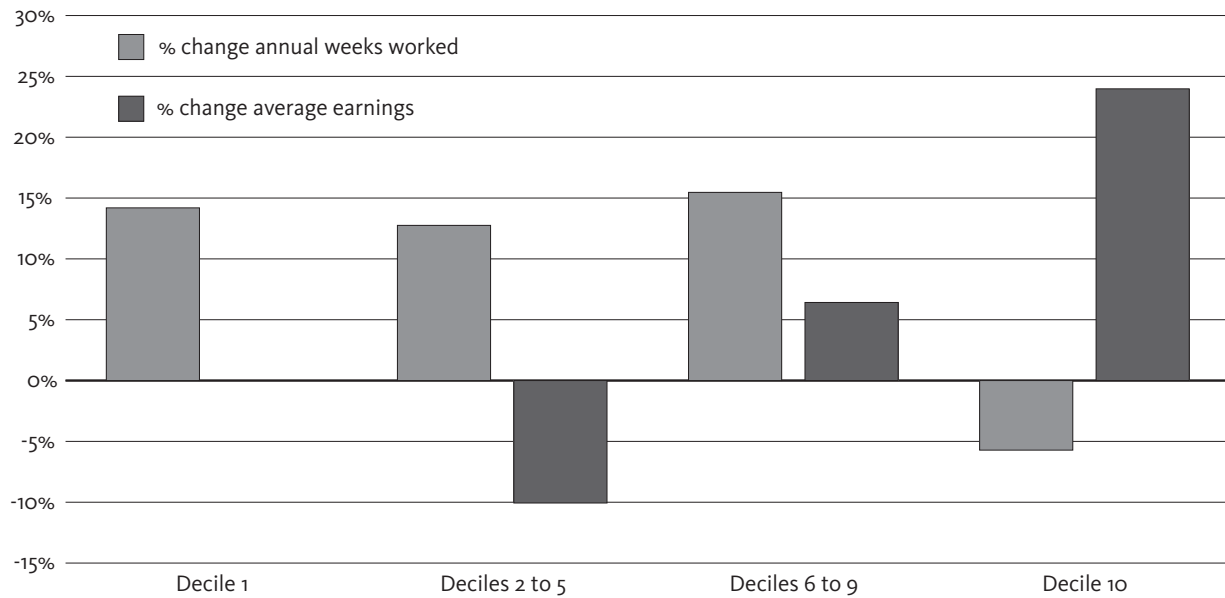
Moreover, the share of total earnings became more concentrated in the hands of the most well-off, at the expense of the rest of the population. Between the periods 1976–1979 and 2003–2006,

the share of total earnings flowing to the richest 30% of families rose from 53% to 59%, while the share claimed by the poorest 30% of families dropped from 10% to 7%. This distribution, increasingly concentrated towards the richest families, demonstrates increasing economic polarization.

Over the course of a generation, while the earnings of the richest families increased significantly, the poorest families saw theirs decline considerably even though their working time increased.

In fact, all the deciles saw their working time increase. On average, this increase amounted to an extra 321 hours worked per year between 1996 and 2006 among families raising children in Quebec — the equivalent of an extra eight weeks of full-time work. As the rate of unemployment dropped, from 11.9% in 1996 to 8% in 2006, families in the lower and middle deciles substantially increased the number of weeks they worked in comparison to similar families in the late-1970s. Nonetheless, the earnings of today's cohort of workers in these lower income deciles are less than that of their counterparts in the 1970s, despite an increase in working time. Looking at

FIGURE 11.1 Difference Between Average Earnings and Annual Weeks Worked, From 1976–1979 to 2003–2006⁵⁴



incomes after transfers and taxes, the situation is improved for the majority of families, but still far from reflecting the increased working time. In contrast, the families in the upper deciles saw an important increase in earnings in 2006 (32%), while their number of working hours rose only slightly (6.1%) over the same period. Therefore, we cannot establish a proportional correlation between the increase in hours worked and families' increased earnings.

Figure 11.1 shows the relative increases in work-time and earnings for different deciles from the late 1970s to the most recent period available, the mid 2000s. For families in the bottom half of the earnings distribution — with the exception of the poorest decile which had no data for earnings in the late 1970s — increases in working time were accompanied by reductions in earnings.⁵⁴

Over a 30 year period, families who were in deciles 2 to 5 increased their average annual weeks worked by 12.8%, but their earnings fell by 10% over that period. Families in deciles 6 to 9 also worked more — an average of 15.5% more weeks worked by the early 2000s, which translated to

a modest increase in earnings of 6.4% over the course of 30 years. The richest 10% of families today are earning 24% more than the richest 10% of families did in the late 1970s, but they are working 5.7% less than their counterparts from a generation ago. Left to itself, the market does not guarantee wide-spread growth in incomes. Rather, it is more likely to concentrate incomes in the hands of the richest 10%.

The impact of government intervention is crucial. The gap in market earnings is reduced when we incorporate the effect of government transfers and taxes on income. Although the government limited the increase in income inequality, its actions were not enough to reverse or simply curb that increase. Over the course of 30 years, the increase in the after-tax income of families in the lower deciles (2 to 5) was only half that of families in the richest decile. As a result, the gap between the rich and the poor has widened, even after taxes and government transfers. Moreover, all families in the first decile remain below the low income cut-off, as do many families raising

children in the second and third deciles if family size is considered.

The government's role is not just to redistribute income and repair *a posteriori* the injustices caused by the market, but also to ensure a degree of control over the latter to promote the equal treatment of everyone. In Quebec, minimum wage, guarantees around access to unionization, the educational system and pay equity are other examples of what the government can do. For over 30 years, these measures have helped make earned incomes fairer for Quebecers and give them access to a basic living standard regardless of income or earnings. However, the Quebec government's more recent laissez-faire approach to public policy has benefitted the top decile at the expense of the middle and lower deciles.

The current economic situation and the government's response to the impacts of the recession are part of that approach. The increase in fees and taxes, cuts in services, and the focus on the recovery of the financial sector are all measures that increase the pressure on those at the bottom of the income spectrum while maintaining a level of enrichment deemed suitable for those in the upper deciles. As we saw in this study, families

have forestalled deepening poverty through additional hours of work or with the assistance of greater redistribution through government. Current economic conditions continue to increase the pressure on the poorest families. Regardless of how much more they work, it is hard for them to pull themselves out of poverty, and budgetary deficits may accelerate service cuts, which will disproportionately hurt lower income citizens.⁵⁵

The growth in the gap between the richest and the poorest families that emerged in the wake of the slowdown of the 1990s was never entirely eliminated. Quebec's public policies of the last 30 years have helped limit the impacts of the current global economic crisis, but it is still having an impact here, and the next crisis is likely to have even greater impact if concrete efforts are not made to reduce the income gap between families. The poorest members of society already feel the effects of crises with increasing frequency and over increasingly longer periods of time. This is why initiatives are required now in order to prevent the ranks of the working poor from growing, and to counter the forces that accelerate the precariousness of the middle class.

Glossary

GINI COEFFICIENT: A measure of inequality in the distribution of incomes before or after taxes and transfers within a society. The coefficient varies between 0 and 1, where 0 means that every citizen has the same income and 1 means that a single individual has all of the nation's wealth while the rest have none. It is more realistic to calculate the Gini coefficient for after-tax income since it takes into account all of a household's money available for purchases. It is generally accepted that the developed countries tend to have a Gini coefficient between 0.240 and 0.360.

DECILE: Sub-groups of the population that consist of the same number of individuals. In this case, after families are ranked in increasing order by earnings, income, or income after taxes and transfers, they are divided into ten equal groups, each representing one decile. Thus, the first decile includes the 10% of the population with the least money at its disposal, while the last decile consists of the 10% with the most money.

LOWER DECILES: Grouping of deciles 1 to 3, therefore 30% of the population. The families making up these deciles are those whose

amounts (earnings, income, income after taxes and transfers) are the smallest. For the purposes of this study, we associate them with the "least affluent" part of the population.

MIDDLE DECILES: Grouping of deciles 4 to 7, therefore 40% of the population. The families making up these deciles are those whose amounts (earnings, income, income after taxes and transfers) are in the middle of the population. For the purposes of this study, we associate them with the "middle class".

UPPER DECILES: Grouping of deciles 8 to 10, therefore 30% of the population. The families making up these deciles are those whose amounts (earnings, income, income after taxes and transfers) are the highest among the population. For the purposes of this study, we associate them with the "most affluent".

CONSTANT DOLLARS: theoretical money that is intended to cancel out the effects of inflation (and/or deflation) over several comparison years, enabling us to more accurately assess the impacts on families' purchasing power over

time. It is calculated by converting the value of one year's dollars into the dollars of a reference year, which removes the effects of inflation. In the context of this study, constant dollars are 2006 dollars.

WEALTH GAP: For the purposes of this study, the wealth gap is measured by the difference between the median amounts (earnings, income, income after taxes and transfers) of the tenth decile and the first decile.

FAMILY: “refers to a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law or adoption”⁵⁶. In the context of this study, to build our basic economic unit, we added further variables to focus our attention solely on economic families with at least one child age 18 or older and where the head of the household is below age 65.

EARNINGS: Salary obtained before tax deductions and premiums for the various government programs. Thus, it is amounts received through work. They may be negative in the case of investment losses or even self-employment carried out at a loss. For the sake of thoroughness, they are taken into account in our study. We have quantified these earnings at zero so as not to lower the averages and medians.

INFLATION: Reduction in purchasing power due to the drop in the value of money over time. It is usually shown through the *buying power index* (BPI).

TREND LINE: Line on a graph that makes it possible to mitigate the fluctuations of a curve affected by extremes.

MEDIAN: A central measure that gives the midpoint of a group, in other words the specific point at which 50% of the group is smaller and 50% is larger. The number obtained by calculating the

median is a clear piece of data that eliminates the extremes of each group. The median is the value located at the very centre of each group. We use this statistic for mathematical clarity and because it helps with seeing trends over long periods.

LOW INCOME MEASURE (LIM): The low income measure is a measure that is calculated using a family's median income based on the number and type (adult, child) of members making up the family. When someone is below the low income measure, it means that he/she has an income lower than 50% of the incomes of similar families.

AVERAGE: One of the most widely known central measures, but it can be misleading, especially when it is calculated for a population that has extreme minimums and maximums. As such, it does not faithfully represent the situation of all Quebec families.

FULL EMPLOYMENT: Situation where a population has only a so-called “functional” unemployment rate. In other words, short-term unemployment reflecting the transition between two jobs. Thus, it is a situation where almost the entire labour force is working. This unemployment rate is assessed at 4% in Quebec.

GROSS DOMESTIC PRODUCT (GDP): Amount of the production of goods and services within a nation during a given period. When it is negative, the economy goes into a recession. It sometimes happens that the increase in GDP drops, without becoming negative. The economy is then in a slow-down. GDP does not allow for any distinction in wealth creation methods. For a somewhat silly example, a person who digs a hole with a mechanical crane and then fills it up again would cause the GDP to rise due to his/her economic activity.

INCOME: Money available for a family's purchase choices. In other words, it is a family's total purchasing power.

AFTER-TAX INCOME: Income after provincial and federal taxes are taken off and provincial and federal transfers are submitted. In other words, it is the total money available for the family's purchase choices. In this study, we will focus on earnings (money available not counting State support or individuals' contribution to the State) and on after-tax income (money available taking into account State support and individuals' contributions to the State).

LOW-INCOME CUT-OFF (LICO): A measure of poverty calculated based on the number of individuals in the household (from 1 to more than 7) and the type of place of residence (from rural area to large urban area). Thus, an individual below the low-income cut-off is below the minimum standard of living calculated by Statistics Canada for a similar family.

WORKING POOR: Category of people who, despite having stable full- or part-time employment, have an income below the low-income measure.

Notes

- 1 Yalnizyan, Armine, *The Rich and The Rest of Us: The Changing Face of Canada's Growing Gap*, March 2007. Canadian Centre for Policy Alternatives, 58 pp., study available on the Internet www.growinggap.ca
- 2 Statistics Canada. *Earnings and Incomes of Canadians over the Past Quarter Century, 2006 Census*.
- 3 Chawla, Raj K., Changes in Family Wealth, Statistics Canada n° 75-001-x, June 2008, 28 pp.
- 4 An asterisk (*) following the first instance of a word means that the word appears in our Glossary.
- 5 As defined in Chapter 2—Methodology .
- 6 See the open letter *Des inégalités temporaires*, published in *La Presse* on January 7, 2008 (pg. A-15) by Marcel Boyer, Vice-President and Chief Economist of the Montreal Economic Institute.
- 7 When the data comes from other sources, a footnote specifies the source.
- 8 The database harmonization makes the year 1996 more complex to analyze. However, since the years before and after are consistent, we can estimate the 1996 trend and determine the relevance of the data from that year.
- 9 The division into separate social classes would require much more information than just earnings or income amounts.
- 10 For the GDP measurement, we had access to the data covering up to 2007, and up to 2008 for unemployment rate. These are exceptions in this report, since our data essentially spanned from 1976 to 2006.
- 11 GDP makes it possible to calculate a nation's wealth creation, but does not differentiate by how it was created or how it is distributed among the population. For more details, refer to the attached glossary.
- 12 Table 3840002 from Statistics Canada, Calculation of Quebec GDP based on expenditures.
- 13 Statistics Canada, Table V508874.
- 14 Table 282-000111,12 from Statistics Canada, Labour Force Survey (LFS), estimates by sex and detailed age group.
- 15 In several cases, we can track this trend in one-year intervals. When production increases, we see greater access to employment. In parallel, when growth drops, less stable jobs tend to be eliminated first.
- 16 Calculated based on revenues: 2005–2006 Quebec budget, *Plan budgétaire*, Quebec Ministry of Finance, section 3, pg. 4

17 Hurteau, Philippe, *D'où vient la crise des finances publiques?*, IRIS, March 2008, 8 pp.

18 Obviously, as mentioned in the methodology, this measurement does not take all family needs into account. A large family may be part of a higher decile yet still need extra income. The inequality indicators generally take family size into account as well as other factors (geographic location, ages, etc.).

19 The redistributed money comes not only from the earnings of the most well-off families, but also from the various taxes paid by the entire population, business taxes, social contributions and other government revenues.

20 Statistics Canada, Table 202–0705.

21 *Ibid.*

22 *Ibid.*

23 Statistics Canada: Table 202–0705 See the *Institut des statistiques du Québec*: http://www.stat.gouv.qc.ca/donstat/societe/famls_mengs_niv_vie/revenus_depense/revenus/ginitab96_2005.htm

24 Statistics Canada, Table 202–0705.

25 In previous years, we can see the Gini coefficient graphs crisscrossing for market earnings in Quebec and Canada in 1979, 1980, 1984 and 1987.

26 Rather than using the median, the mean was favoured, making it possible to take into account the extremes, which are relevant in studying a ratio between the extreme deciles. Using the median would instead have placed the comparison on the 5th centile and the 95th centile.

27 As explained in Chapter 2—*Methodology*, we base our calculations on the median of each decile in order to reduce the deviations due to the extremes, especially in the first and last deciles.

28 The first decile was not used for the previous graph because it shows a median earning of \$0 for certain years, which complicates the study of the changes in this decile, especially in a ratio with other data. However, deciles 2 to 10 clearly show a definite trend.

29 Recall that income is the total money obtained through work, federal and provincial benefits received

through the various transfer programs, investment income and retirement benefits and pensions. For more information, see Annex.

30 For a two-person rural family, i.e. the category at the lowest threshold, we are talking about an income of \$17,807. In a city of over 300,000 inhabitants, the low-income cut-off is \$20,778 instead.

31 Note that it was in 1998 that the rise in after-tax income began for most families, which coincides with the launch year of the National Child Benefit Supplement (NCBS). The aim of that federal measure was to increase the amount of benefits paid to all low-income families with children and had a considerable impact on all families, but especially those with low incomes.

32 This category, income, that we use just for this table represents money from earnings and government transfers, before taxes are paid. For more information, see the annexed glossary.

33 As noted in Chapter 2—*Methodology*, it is not about the mobility of the families within the economic groups, but the change in the economic groups, regardless of the families making up the groups.

34 Note that the data on weeks worked is not standardized by hours worked in those weeks, but rather by the gross number of weeks that an individual from the household worked. It is possible that the number of weeks exceeds 104 if, for example, more than 2 individuals in the household worked. Studying weeks worked is relevant over the period since the SCF data reveals the change from 1976 to 2006.

35 As we saw in Chapter 6—*Gap Between the Richest and the Poorest*.

36 Note that the statistics on the number of hours worked per family are from Statistics Canada's Survey of Labour and Income Dynamics (SLID), which has only been available since 1997.

37 In 1996, a change began in Quebec's economic policies with the zero deficit legislation, which prohibited any new budgetary deficit in the Quebec government. The first deficit-free budget was passed in 1999 by the Minister of Finance, Bernard Landry. It

would appear that this measure had an impact on the number of hours worked.

38 For the sake of thoroughness, the values of decile 1 were not considered given their volatility in terms of increased hours. If they had been included, that data would have distorted the average.

39 However, the vast majority of families belonging to these two deciles are still below the low-income cut-off as we will see in the next few lines.

40 Again recall, as stated in Chapter 2—*Methodology*, that this study does not deal with the mobility of families. The make-up of the upper deciles can change, but the median earnings of the richest families, regardless of changes within the deciles, experience better stability in their median earnings in times of crisis than the other deciles.

41 Statistics Canada, *Personnes à faible revenu selon certaines caractéristiques, taux et nombre estimatif, Québec*, 2006, [on line] http://www.stat.gouv.qc.ca/donstat/societe/famls_mengs_niv_vie/revenus_depense/revenus/faiblerevpers2006.htm, page consulted on May 25, 2009.

42 *Ibid.*

43 Food Banks Canada, *Hunger Count 2006*, available at http://www.cafb-acba.ca/documents/Hunger-Count_2006_FR.pdf

44 Formerly the Canadian Association of Food Banks

45 Statistics Canada, *Les seuils de faibles revenus de 2005 et les mesures de faibles revenus de 2004*, p.23 [on line], <http://www.statcan.ca/francais/research/75FO002M1F/75FO002M1F2006004.pdf>

46 Crespo, Stephane, *Annuaire de statistiques sur l'inégalité de revenu et le faible revenu : Édition 2008*, Institut de la statistique du Québec, December 2008, 190 pp. pg. 111. Available on line at http://www.stat.gouv.qc.ca/publications/conditions/pdf2008/inegalite_faible_revenu.pdf

47 *Ibid.* pg. 29

48 For an urban region with 30,000 to 99,000 residents, which is the average threshold.

49 This and the following data are from: Statistics Canada, *Low income cut-offs for 2008 and low income measures for 2007*, pg.24 [on line] <http://www.statcan.gc.ca/pub/75f0002m/75f0002m2009002-fra.pdf>

50 Recall that this chapter, just like our entire study, does not track the mobility of individual families themselves, but focuses on changes in economic outcomes for different deciles. In the rest of the analysis the population is divided into 10 equivalently sized groups (deciles) and what changes over time is the income definition of the deciles, based on family earnings or after-tax income. Here the income definition of deciles is held constant and it is the proportion of the population falling into these income categories that varies, representing more or less than 10% of the population over time. In both cases, income is measured in constant 2006 dollars.

51 We selected 1980 as the base year because the macro-economic performance was the best then, compared to the other years before the 1981–82 recession.

52 It is possible to attribute this distribution change to applying the 1989 neo-liberal policies to today. This issue warrants further study on its own.

53 There was a moderate recovery in the size of the middle income group by 1999, but it was short-lived, and the number of families in this group has dropped since.

54 Please note that the earning data pertaining to decile 1 are not considered in this figure because the high unemployment rates between 1976 and 2003 do not allow to make this calculation. However, in part for the same reason, we can see that the number of weeks worked by this group has increased in a manner similar to that of other Quebec families.

55 Hurteau, *op. cit.*

56 Statistics Canada, *Economic family*, [on line] <http://www.statcan.gc.ca/concepts/definitions/fam-econ-eng.htm>, page viewed on February 10, 2010.

Annex

Data for periods	<i>Earnings</i>		<i>Revenus</i>	
	1976–1979	2003–2006	1976–1979	2003–2006
Decile 1	3,258	2,870	15,551	19,054
Decile 2	20,976	16,730	28,392	30,864
Decile 3	33,473	28,088	36,333	37,975
Decile 4	42,094	38,008	42,068	44,275
Decile 5	49,390	48,665	47,377	50,714
Decile 6	56,539	59,096	52,951	58,110
Decile 7	65,165	70,979	59,590	66,083
Decile 8	75,741	86,773	68,286	76,049
Decile 9	91,236	108,593	80,055	90,005
Decile 10	136,550	186,462	115,397	139,764

Earnings	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Decile 1	5,333	2,446	2,086	3,169	1,126	1,969	458	224	55	247	630
Decile 2	23,120	19,049	19,540	22,195	16,971	19,679	13,154	13,133	10,367	13,273	14,482
Decile 3	34,538	32,436	33,063	33,855	30,694	31,435	26,846	26,241	25,204	28,045	28,782
Decile 4	42,885	41,331	42,725	41,434	40,322	39,839	36,619	36,032	35,290	37,558	38,122
Decile 5	49,845	48,889	49,570	49,255	48,853	46,816	44,503	43,598	44,594	46,381	47,044
Decile 6	56,936	55,597	57,176	56,447	56,183	54,653	52,061	50,784	53,031	54,426	55,448
Decile 7	65,458	63,522	66,119	65,562	63,988	63,115	60,780	58,338	61,570	63,334	64,658
Decile 8	76,601	73,956	76,384	76,023	74,615	73,221	71,135	69,853	72,067	73,671	75,099
Decile 9	94,779	89,856	89,358	90,951	90,287	87,060	85,081	84,482	86,410	89,339	89,089
Decile 10	150,147	131,686	130,760	133,607	130,080	123,597	122,330	126,062	129,204	125,140	126,863

Earnings	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Decile 1	264	925	2,461	920	95	8	0	0	4	0	65
Decile 2	14,080	16,350	18,541	14,232	10,467	9,504	5,905	8,917	8,824	7,013	7,910
Decile 3	29,657	30,032	31,746	27,677	24,097	23,638	20,725	23,694	23,472	22,117	21,139
Decile 4	40,182	40,294	41,197	37,725	34,638	34,804	32,354	34,956	34,193	32,288	32,089
Decile 5	48,872	48,927	49,475	47,913	43,761	44,330	42,563	44,783	43,428	42,615	43,000
Decile 6	57,319	57,805	57,158	57,520	53,501	54,480	51,996	53,682	52,141	53,264	53,085
Decile 7	66,607	66,827	65,688	67,782	62,526	64,847	62,264	63,411	62,467	62,937	65,134
Decile 8	76,712	78,347	77,008	79,294	73,647	77,411	75,039	75,237	74,263	74,144	76,997
Decile 9	92,854	93,979	93,469	94,975	89,174	93,131	90,741	91,175	91,432	92,146	95,869
Decile 10	138,838	136,510	147,971	133,884	136,588	134,659	130,190	139,877	145,928	137,336	144,966

Earnings	1998	1999	2000	2001	2002	2003	2004	2005	2006
Decile 1	16	527	767	989	1,052	1,923	3,521	2,504	3,532
Decile 2	10,179	11,518	12,531	13,444	13,189	16,243	17,872	15,528	17,277
Decile 3	22,893	25,347	26,402	25,620	24,821	27,385	27,962	27,902	29,102
Decile 4	33,819	36,525	37,734	37,272	36,357	37,685	37,865	37,673	38,808
Decile 5	45,457	47,631	48,194	47,594	46,486	47,799	49,106	48,377	49,378
Decile 6	56,652	57,247	58,529	57,986	56,223	58,001	58,827	59,434	60,122
Decile 7	68,547	66,819	70,184	70,064	67,803	70,199	70,328	71,116	72,273
Decile 8	80,706	79,965	84,682	85,757	85,100	85,621	87,321	86,517	87,633
Decile 9	100,912	99,231	103,912	106,106	108,156	107,119	108,669	107,393	111,193
Decile 10	150,960	156,544	155,900	162,444	176,789	175,534	193,067	183,771	193,477

Deciles	1976-1979	2003-2006
Deciles 1-3	19,236	15,896
Deciles 4-7	53,297	54,187
Deciles 8-10	101,176	127,276

Income after tax	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Decile 1	16,902	14,210	15,817	15,275	14,653	14,672	13,809	14,507	13,906	14,033	14,680
Decile 2	29,330	27,150	28,936	28,154	25,952	27,716	25,113	25,035	23,488	24,696	25,851
Decile 3	36,567	35,662	37,234	35,871	35,824	35,425	33,171	33,501	31,760	33,239	34,185
Decile 4	41,765	41,826	43,113	41,568	41,707	40,933	39,896	39,277	39,132	40,118	40,236
Decile 5	46,969	47,432	48,467	46,640	47,991	46,232	45,592	44,076	45,259	45,741	45,177
Decile 6	52,890	52,508	54,038	52,367	52,897	51,753	50,767	48,854	50,706	51,397	51,322
Decile 7	60,039	58,873	60,148	59,299	59,037	56,923	56,319	54,089	56,416	57,387	58,120
Decile 8	69,199	68,093	68,366	67,486	66,433	64,017	64,163	61,597	63,980	64,617	65,704
Decile 9	82,446	79,912	79,336	78,525	76,251	75,489	74,784	73,553	74,488	75,631	75,372
Decile 10	125,073	113,387	110,684	112,443	106,087	106,229	100,982	101,172	103,734	104,477	104,398

Income after tax	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Decile 1	13,917	15,684	16,125	15,036	14,028	14,565	13,624	14,522	14,693	14,759	14,448
Decile 2	24,989	27,116	28,043	25,859	24,128	24,577	22,646	23,690	23,585	23,353	22,352
Decile 3	33,602	35,089	36,898	34,174	32,700	33,324	30,929	32,294	32,510	30,630	29,860
Decile 4	39,922	41,729	42,553	40,453	38,809	39,838	37,713	38,640	38,018	36,639	35,610
Decile 5	45,514	46,831	47,259	46,027	44,046	45,729	42,909	44,603	43,192	43,170	41,966
Decile 6	51,123	52,040	52,120	51,542	49,451	50,690	48,299	49,495	49,121	49,210	49,348
Decile 7	57,303	58,254	57,694	58,273	55,844	57,358	54,998	55,168	55,479	55,866	56,636
Decile 8	65,402	65,443	65,312	65,560	63,307	64,839	62,637	62,349	62,394	63,578	65,195
Decile 9	77,389	75,698	75,711	76,248	72,990	75,425	72,235	72,555	72,719	74,626	76,067
Decile 10	114,482	106,411	112,086	102,843	105,625	102,412	96,686	102,049	108,037	109,088	113,138

Income after tax	1998	1999	2000	2001	2002	2003	2004	2005	2006
Decile 1	15,725	15,408	14,934	16,989	16,848	17,614	18,907	18,315	21,382
Decile 2	25,110	25,884	26,015	27,325	27,935	29,221	30,561	30,960	32,716
Decile 3	31,242	33,748	33,810	34,818	35,404	36,124	37,055	38,751	39,969
Decile 4	36,869	40,016	40,786	41,415	41,587	42,503	43,396	45,266	45,934
Decile 5	43,438	46,088	47,354	48,203	48,380	48,495	49,921	51,785	52,657
Decile 6	49,790	52,033	52,966	55,555	54,551	56,115	57,279	58,663	60,383
Decile 7	57,991	58,388	59,856	63,032	62,310	63,694	65,203	66,693	68,742
Decile 8	66,178	66,542	70,102	72,494	74,199	74,315	75,786	76,369	77,727
Decile 9	77,206	78,493	82,546	86,283	88,601	86,777	90,079	89,840	93,325
Decile 10	111,304	115,733	119,444	124,470	133,286	128,503	142,262	141,487	146,804

Deciles	1976-1979	2003-2006
Deciles 1-3	26,759	29,298
Deciles 4-7	50,496	54,796
Deciles 8-10	87,913	101,940

